BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

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| ----------In the Matter of---------- | ) | |
| | ) | |
| PUBLIC UTILITIES COMMISSION | ) | Docket No. 2009-0108 |
| | ) | |
| Instituting a Proceeding to Investigate Proposed Amendments to the Framework for Integrated Resource Planning. | ) | |

**FINAL STATEMENT OF POSITION OF KAUAI ISLAND UTILITY COOPERATIVE**

**EXHIBITS 1 to 2**

**AND**

**CERTIFICATE OF SERVICE**

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**FINAL STATEMENT OF POSITION OF**
**KAUAI ISLAND UTILITY COOPERATIVE**

KAUAI ISLAND UTILITY COOPERATIVE ("KIUC"), by and through its attorneys, Morihara Lau & Fong LLP, hereby submits its Final Statement of Position in this docket.[1]

As a summary, KIUC believes that the existing Integrated Resource Planning ("IRP") Framework has been a very useful and beneficial tool for KIUC and its predecessor in their respective prior planning efforts. Through purposely designed broad-based planning guidelines and requirements, the existing IRP Framework provides utilities with an appropriate and reasonably flexible mechanism to effectively address present and future energy needs as they may evolve and to implement

[1] The parties in this proceeding are: (1) Hawaiian Electric Company, Inc. ("Hawaiian Electric"); (2) Hawaii Electric Light Company, Inc. ("HELCO"); (3) Maui Electric Company, Limited ("MECO") (Hawaiian Electric, HELCO and MECO collectively referred to as "Hawaiian Electric Companies"); (4) KIUC; (5) the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate"); (6) the Department of Business, Economic Development, and Tourism ("DBEDT"); (7) County of Hawaii; (8) County of Maui; (9) County of Kauai; (10) Haiku Design and Analysis; (11) Hawaii Renewable Energy Alliance; (12) Blue Planet Foundation; (13) Hawaii Solar Energy Association; and (14) JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott, and Essex House Condominium Corporation, on behalf of Kauai Marriott Resort & Beach Club (collectively, "Parties"). On October 26, 2009, the Commission issued an Order approving Forest City Hawaii Residential, Inc's request to amend its status as an Intervenor/party to a Participant.

applicable energy policies and mandates that are established and changed over time. The existing IRP Framework accomplishes this by establishing certain requirements and considerations for each utility to follow as part of its planning process, but doing so in a way that allows each utility to determine how best to satisfy these requirements and considerations in the context of any other objectives or requirements applicable to that utility, as well as to account for changes in laws, interests, objectives and requirements as they may occur over time. This inherent flexibility in the existing IRP Framework already enables the Clean Energy Scenario Planning ("CESP") principles and objectives described herein to be accomplished under the current IRP Framework, even perhaps without any modifications to the existing framework language.

Given the above, KIUC believes that the existing IRP Framework should not be replaced in its entirety but should be retained as the starting point for the development of a more current and updated framework. KIUC recognizes that certain changes are necessary to further hone and update the IRP Framework since its inception in 1992, to make other changes, and to incorporate or reference certain CESP principles and objectives that should perhaps be more specifically identified and incorporated into the framework. KIUC has attempted to accomplish the above through its proposed framework attached hereto as Exhibit 1.[2] In any event, KIUC believes that any framework established in this proceeding (whether it is called IRP or CESP and whether it will amend the existing IRP Framework or replace it in its entirety) should remain broad-based and flexible to ensure its ongoing applicability to the various energy

[2] For reference purposes, KIUC has included two versions of its proposed framework in Exhibit 1. The second version is a "blacklined" version showing the text changes that KIUC has made to the existing IRP Framework.

utilities, and to accommodate differences between investor-owned utilities ("IOUs") and cooperatives in particular.[3]

## I. BRIEF PROCEDURAL BACKGROUND

By its Order Initiating Investigation issued on May 14, 2009, the Commission initiated an investigation to examine the proposed amendments to the IRP Framework submitted by the Hawaiian Electric Companies, KIUC and the Consumer Advocate, and as set forth in their joint letter dated and filed on April 28, 2009. That letter proposed that the IRP Framework be replaced with a CESP process and enclosed a proposed CESP framework ("Proposed CESP Framework") for the Commission's review.[4]

On July 12, 2009, the Parties filed a proposed Stipulated Procedural Order that identified four issues for consideration, all of which focused on the Proposed CESP Framework as the starting point for establishing a new framework.

On August 11, 2009, the Parties held their first technical session to discuss, among other things, the background and basis for the Proposed CESP Framework and to solicit any comments and questions.

On or about August 28, 2009, the Parties were given the opportunity to informally exchange proposed modifications to the Proposed CESP Framework.

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[3] For a further discussion, see KIUC's response to DBEDT-IR-1-KIUC, filed on November 25, 2009, and KIUC's response to NRRI's comments, filed on December 2, 2009.

[4] The proposed framework submitted by the April 28, 2009 letter is hereinafter referred to as the "Proposed CESP Framework." To clarify and hopefully avoid any confusion, KIUC was not materially involved in developing the Proposed CESP Framework. Although KIUC was a signatory to the April 28, 2009 letter to the Commission submitting the Proposed CESP Framework, KIUC's only addition to that proposed framework was a provision that would allow KIUC to seek a waiver or exemption from any or all portions of the framework once it was established. See the April 28, 2009 letter and KIUC's responses to DBEDT-IR-1-KIUC and HSEA-IR-1(a) for a further discussion.

On September 15, 2009, the Parties held their second technical session to discuss, among other things, the informal proposed modifications to the Proposed CESP Framework that were exchanged between the Parties.

On September 23, 2009, the Commission issued an Order Approving the Stipulated Procedural Order, as Modified ("Procedural Order"), which, among other things, refocused the starting point from the Proposed CESP Framework to the existing Commission-approved IRP Framework established in 1992 and modified the issues to be addressed in this proceeding, as set forth in Section II below. Pursuant to the Procedural Order, KIUC, the Parties and Participant submitted their respective preliminary statements of position on or about October 2, 2009.

On November 3, 2009, the Commission issued comments prepared by its consultant National Regulatory Research Institute ("NRRI") on the CESP process entitled "Clean Energy Scenario Planning: Thoughts on Creating a Framework" ("NRRI Paper") and invited the Parties and Participant to provide comments by November 20, 2009. After requesting an extension of time to file its response to the NRRI Paper, KIUC submitted its response on December 2, 2009.[5]

The Parties submitted information requests ("IRs") to certain Parties on November 10, 2009, and the Parties, including KIUC, responded to their applicable IRs on November 25, 2009.

[5] In the NRRI Paper, NRRI presented a list of questions for the Parties and Participant to answer in their Final Statements of Position with respect to their respective proposed frameworks. KIUC's responses to those questions are attached hereto as Exhibit 2.

Pursuant to the Procedural Order, KIUC hereby submits this Final Statement of Position.[6]

## II. STATEMENT OF THE ISSUES

As set forth in the Procedural Order, the issues in this docket are as follows:

1. What are the objectives of CESP and how do they differ from the objectives of IRP?
2. What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?
3. Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?
4. What should be the role of the state's public benefits fee administrator?

## III. FINAL STATEMENT OF POSITION

**Issue 1: <u>What are the objectives of CESP and how do they differ from the objectives of IRP?</u>**

CESP is a utility planning process that evaluates various resource options for meeting future electrical requirements but, as straightforwardly expressed in its title – "Clean Energy Scenario Plan," emphasizes and focuses on clean and renewable energy. CESP, as also expressed in its title, promotes the identification and analysis of multiple scenarios to provide the utility with a means to consider the effects of various uncertainties on a range of potential resource plan options. In other words, as

[6] KIUC represents that this Final Statement of Position incorporates, to the extent applicable, the relevant portions of KIUC's positions, as expressed in its Preliminary Statement of Position filed on October 2, 2009, its responses to IRs filed on November 25, 2009, and its response to the NRRI Paper filed on December 2, 2009.

envisioned by KIUC, CESP involves incorporating clean and renewable energy goals into its future planning while considering various uncertainties that the utility does not have any control over, with the objective of developing an action plan that sufficiently identifies, considers and balances these varying uncertainties and their potential impacts while also sufficiently promoting clean and renewable energy. Specifically, from a clean and renewable energy standpoint, this means incorporating planning to meet the State's Renewable Portfolio Standards and other statutory requirements,[7] as well as KIUC's own goals as expressed in its cooperative Strategic Plan.[8] This would necessarily take into consideration the logistical aspects of generation siting and the resulting size and location of required transmission and distribution infrastructure, which

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[7] The State's Renewable Portfolio Standards are contained in Hawaii Revised Statutes § 269-92, as amended, and provide as follows:

> (a) Each electric utility company that sells electricity for consumption in the state shall establish a renewable portfolio standard of:
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> (1) Ten per cent of its net electricity sales by December 31, 2010;
> (2) Fifteen per cent of its net electricity sales by December 31, 2015;
> (3) Twenty-five per cent of its net electricity sales by December 31, 2020; and
> (4) Forty per cent of its net electricity sales by December 31, 2030.
>
> (b) The public utilities commission may establish standards for each utility that prescribe what portion of the renewable portfolio standards shall be met by specific types of renewable energy resources; provided that:
>
> (1) Prior to January 1, 2015, at least fifty per cent of the renewable portfolio standards shall be met by electrical energy generated using renewable energy as the source, and after December 31, 2014, the entire renewable portfolio standard shall be met by electrical generation from renewable energy sources;
> (2) Beginning January 1, 2015, electrical energy savings shall not count toward renewable energy portfolio standards;
> (3) Where electrical energy is generated or displaced by a combination of renewable and nonrenewable means, the proportion attributable to the renewable means shall be credited as renewable energy; and
> (4) Where fossil and renewable fuels are co-fired in the same generating unit, the unit shall be considered to generate renewable electrical energy (electricity) in direct proportion to the percentage of the total heat input value represented by the heat input value of the renewable fuels.

[8] KIUC's Strategic Plan includes, among other things, the movement towards energy independence and decreased reliance on foreign imported oil by meeting at least 50% of KIUC's annual electricity sales with energy generated by renewable resources by 2023.

will be largely dependent on the location of the renewable resource itself (e.g., wind, sun, water, etc.).

IRP is also a utility planning process that evaluates various resource options for meeting future electrical requirements. However, as expressed by NRRI, while the focus of CESP is to examine various scenarios/uncertainties with the goal of accommodating multiple results and avoiding potentially disastrous results, the goal of IRP in general is to ensure the lowest cost without consideration of different future scenarios.[9] As discussed in the NRRI Paper, the IRPs of many utilities: (1) determine the optimal mix of particular supply and demand resources to provide a least-cost resource mix to serve expected load under a particular view of the future; (2) use a single forecast or a set of forecasts to portray the future; (3) focus on the cost of different technologies and sensitivity analysis; and (4) maintain that the preferred resources are the least-cost mix of resources to meet a particular view of the future as tested under sensitivity analysis.[10]

While NRRI's description may be an accurate depiction of IRPs in other jurisdictions, KIUC believes that this does not accurately describe Hawaii's IRP Framework and how KIUC has prepared its latest IRP in December 2008. The existing

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[9] NRRI states, in relevant part: (1) "IRP identifies least-cost resources to meet a small band of pre-determined trends or forecasts." (NRRI Paper at 1); (2) "[I]ntegrated resource planning [is] finding the least-cost solution for a defined need." (NRRI Paper at 2); and (3) "Although IRP looks at different trends in fuel prices and load growth, it seldom looks at widely different future scenarios, where those scenarios flow from events beyond the utility's (or anyone's) control." (NRRI Paper at 3).

NRRI does add the following caveat: "Because we have not worked within the Hawaii IRP process, we do not mean our broad-brush statement to apply fully to Hawaii. Although least-cost solutions are the focus of IRP, planning decisions under IRP sometimes deviate from a pure least-cost solution. It is for the Hawaii-experienced readers to determine how well the shoe fits." NRRI Paper at 3, fn. 2.

[10] NRRI Paper at 5.

IRP Framework is not limited to a lowest cost analysis, but instead sets forth a planning process that evaluates various resource options for meeting present and future electricity demand at the lowest reasonable cost under the circumstances.[11] This language allowed KIUC, in its recent IRP completed in December 2008, to score and rank individual resource options and plans using not just financial cost, but other identified criteria that were weighted based on importance and linked to the objectives KIUC identified to be achieved through the development and implementation of its plan. For this and other reasons set forth herein, KIUC contends that the existing IRP Framework is not as restrictive as the IRPs described by NRRI and already encompasses or allows for the accomplishment of the CESP principles and objectives described herein. In support of this, the following provides a discussion of the background regarding the existing IRP Framework and how KIUC believes it already encompasses and allows for the accomplishment of CESP principles and objectives.

### 1. The Existing IRP Framework Was Established as a Broad-Based Planning Tool to Provide the Utility Reasonable Flexibility in the Planning Process.

Unlike the least-cost IRPs mentioned by NRRI, the IRP Framework is intended to allow for the evaluation of various resource options for meeting present and future electricity demand at the lowest reasonable cost under the circumstances.[12] In establishing the IRP Framework in 1992, the Commission stated, in relevant part:

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[11] See Section II.A of the existing IRP Framework, which states: "The goal of integrated resource planning is the identification of the resources or the mix of resources for meeting near and long term consumer energy needs in an efficient and reliable manner at the lowest reasonable cost."

[12] Id.

> In fashioning its framework, the [C]ommission was guided by the need for the framework to ensure the achievement of the fundamental purpose of integrated resource planning, and by the need to allow each utility flexibility in fashioning a process that fits its particular characteristics. The [C]ommission believes that the framework it has adopted serves both of these needs.
>
> The framework prescribes in general what the utilities are required to do and the factors to be considered in developing their respective integrated resource plans. It outlines the [C]ommission's minimum expectations concerning the utilities' plans and planning processes. Within these general guidelines, the utilities are free to fashion their processes and develop their plans as they see fit, subject to the advice and input of the utilities' integrated resource advisory groups.
>
> The [C]ommission does not believe that the level of specificity provided in the . . . proposed frameworks is necessary . . . That level of specificity may be counterproductive.
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> * * *
>
> In keeping with its approach of providing general guidelines, the [C]ommission does not include in its adopted framework a detailed enumeration of the data to be collected or a specification of the methodology to be used in forecasting. The [C]ommission's framework provides for the use of all reasonable methodologies, including, as practicable and economically feasible, the disaggregated end-use methodology. The [C]ommission expects the utilities, with the advice of advisory groups, to determine the appropriate methodologies to be used in forecasting.[13]

Approximately 13 to 14 years later (i.e., in 2006) in Docket No. 05-0075, the Commission reviewed KIUC's proposed revisions to the IRP Framework to address the needs of KIUC as an electric cooperative.[14] In that proceeding, the Commission and the

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[13] See Docket No. 6617, Decision and Order No. 11523, filed on March 12, 1992 ("Decision and Order No. 11523") at 10-11 and 20-21.

[14] See Docket No. 05-0075, Decision and Order No. 22490, filed on May 26, 2006 ("Decision and Order No. 22490"). Believing that the "IOU perspective" permeated the IRP Framework, KIUC sought to revise the IRP Framework to replace the IOU perspective with a cooperative one. KIUC proposed numerous revisions to the IRP Framework. See Decision and Order No. 22490 at 3 and Order No. 21707, filed on March 24, 2005, in Docket No. 05-0075.

Consumer Advocate concluded that more specificity was not required and instead re-emphasized the broad-based nature of and necessary flexibility afforded by the IRP Framework. In its decision, the Commission summarized the Consumer Advocate's position by stating the following:

> [T]he Consumer Advocate maintains that the existing IRP Framework is broadly written to allow for the flexibility that KIUC is seeking through its proposed revisions.
>
> * * *
>
> The Consumer Advocate points to specific language in the IRP Framework that: (1) recognizes the need to 'allow each utility flexibility in fashioning a process that fits its particular characteristics'; and (2) states that each utility is free to develop their processes and plans as they see fit.[15]

The Commission agreed with the Consumer Advocate's position in finding that "the substantive revisions proposed by KIUC to its IRP Framework are unnecessary" and concluding that "the IRP Framework appears to be broadly written to already allow for the flexibility that KIUC was seeking through its proposed revisions."[16] As a result, only the "non-substantive changes to the IRP Framework noted by the Consumer Advocate and agreed to by KIUC regarding the utility's name change to KIUC and the increased filing threshold under paragraph 2.3.g.2 of G.O. No. 7" were found to be appropriate by the Commission, and as a result the IRP Framework was modified by the Commission only to that extent.[17]

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[15] See Decision and Order No. 22490 at 4-6 (quotations and citations omitted).

[16] Id. at 9.

[17] Id.

In light of the above decisions and as evidenced by the language in the framework itself, the IRP Framework was created with inherent flexibility to allow each utility to develop a process that fits its own particular characteristics and requirements. The existing framework also allows each utility to consider and adapt its planning to address changes in community interests and other factors that may no longer apply or that may evolve over time. This multi-view process is expressly contemplated in Governing Principle No. 4 of the existing IRP Framework, which requires that "[i]ntegrated resource plans shall give consideration to the plans' impacts upon the utility's consumers, the environment, culture, community lifestyles, and the State's economy, and society."[18] The IRP Framework does not restrict the planning process by requiring a "single-future view with a least-cost-centric solution" as NRRI states generally applies to other IRP processes outside of Hawaii.[19] Hawaii's existing IRP Framework instead allows the utility to make a determination of the lowest reasonable cost under the circumstances after consideration of various factors and objectives set forth in the IRP Framework beyond just a consideration of financial cost.

### 2. The Existing IRP Framework Already Accomplishes or Allows for the Accomplishment of the CESP Principles and Objectives Discussed Above

As described above, the existing IRP Framework is not limited to only performing integrated resource planning in the manner that NRRI states is followed by many utilities. To the contrary, KIUC contends that the existing IRP Framework and CESP do

[18] IRP Framework, Section II.B.4 at 3.

[19] NRRI Paper at 3.

not conflict with each other and the existing IRP Framework already incorporates or allows for the incorporation of the CESP principles and objectives described above.

### a. The Existing IRP Framework Allows for the Consideration and Incorporation of Clean and Renewable Energy Goals

CESP involves incorporating clean and renewable energy goals into a utility's future planning. As stated above, presumably this would mean incorporating planning to meet the State's Renewable Portfolio Standards and other statutory requirements, and, as it applies to KIUC, KIUC's own energy independence goals as expressed in its Strategic Plan.[20] For KIUC, these CESP goals would be met by identifying a range of energy options as part of its planning efforts that would meet and accomplish these clean and renewable energy requirements or goals, while at the same time considering and balancing the cooperative objectives of KIUC's member-elected Board, initiatives implemented by other electric cooperatives, KIUC's energy, capacity and reliability requirements, and the requirements imposed by KIUC's lenders.

KIUC believes that the CESP process described above is already allowed under the existing IRP Framework, which requires "[i]ntegrated resource plans [to] comport with state and county environmental, health, and safety laws and formally adopted state and county plans."[21] The existing IRP Framework also acknowledges the interest in reducing the State's dependence on imported oil. See Section IV.B.2 of the existing IRP Framework, which states that, "given the parameter of the State goal of less dependence on imported oil, the utility may set as an objective the achievement of

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[20] *See footnote 8 above.*

[21] IRP Framework, Section II.B.2 at 3.

lowering to a specific level the use of imported oil." These provisions as well as other provisions in the existing IRP Framework discussed below already incorporate or are broad enough to allow for the consideration and implementation of clean and renewable energy goals into future planning.

**b. Other General Provisions in the Existing IRP Framework that Encompass or Provide Flexibility to Encompass CESP**

The existing IRP Framework already contains numerous provisions that were crafted to allow each utility the ability to fashion a process that fits its particular characteristics and needs and that already encompasses or are broad enough to encompass the various aspects of CESP. In support of this, and in addition to the provisions discussed above pertaining to clean and renewable energy goals, the existing IRP Framework contains the following provisions:

- Section II.B.3: This section mandates that the "[i]ntegrated resource plans shall be developed upon consideration and analyses of the costs, effectiveness, and benefits of all appropriate, available, and feasible supply-side and demand-side options."

- Section III.D.1: This section requires that the IRP include, among other things, "a full and detailed description of . . . the plan's external costs and benefits . . . [and] the relative sensitivity of the plan to changes in assumptions and other conditions." The term "external benefits" is defined in Section I as "external economies; benefits to or positive impacts on the activities or entities outside the utility and its ratepayers. External benefits include environmental, cultural and general economic benefits." The term "external costs" is defined in Section I as "external diseconomies; costs to or negative impacts on the activities of entities outside the utility and its ratepayers. External costs include environmental, cultural, and general economic costs."

- Section III.D.2(b): This section requires that, in submitting the utility's program implementation schedule, the utility must "fully describe,

among other things:" . . . "(3) The expected annual effects of program implementation on the utility and its system, the ratepayers, the environment, public health and safety, cultural interests, the state economy, and society in general."

- Section IV.B: This section identifies the objectives of the IRP as "meeting the energy needs of the utility's customers over the ensuing 20 years" and adds that the "utility may specify any other utility-specific objective that it seeks to achieve through its integrated resource plan." This section also provides that the "[C]ommission may specify other objectives for the utility . . . [which] shall be included in the order opening docket for integrated resource planning at the commencement of each planning cycle."

- Section IV.D.3: This section provides that the "utility shall initially identify all possible supply-side and demand-side resource options. The utility may, upon review, screen out those options that are clearly infeasible. An option may be deemed infeasible where the option's life cycle costs clearly outweigh its benefits or effectiveness under both societal cost-benefit and utility cost-benefit assessments. The utility, with the advice of the advisory groups, may establish such other criteria for screening out clearly infeasible options." "Societal cost" is defined in Section I as "the total direct and indirect costs to society as a whole. Society includes the utility and, in a demand-side management program, the participants." "Societal cost-benefit assessment" is defined in Section I as "an assessment of the costs and benefits to society as a whole."

- Section IV.E.1: This section specifies, among other things, that the "utility shall identify the option's total costs and benefits – the costs to the utility and its ratepayers and the indirect, including external (spillover), costs and benefits. External costs and benefits include the cost and benefit impacts on the environment, people's lifestyle and culture, and the State's economy."

- Section IV.F.2: This section states that the "utility shall also identify the risks and uncertainties associated with each resource option."

- Section IV.F.3: This section adds that the "utility shall further identify any technological limitations, infrastructural constraints, legal and

governmental policy requirements, and other constraints that impact on any option or the utility's analysis."

- Section IV.H.1 and 2: In identifying the analyses required for the IRP, this section directs the utility to "conduct cost-benefit and cost-effectiveness analyses to compare and weigh the various options and various alternative mixes of options . . . [and to] conduct such analyses from varying perspectives, including the utility cost perspective, the ratepayer impact perspective, the participant impact perspective, the total resource cost perspective, and the societal cost perspective."

- Section IV.I.3: In outlining how the utility is to optimize its resources, this section requires each utility to "describe the plan's impact on rates, customer energy use, customer bills, and the utility system. It shall also describe the plan's impact on external elements – the environment, people's lifestyle and culture, the State's economy, and society in general."

The above further supports the intentional broad-based and flexible nature of the existing IRP Framework and that it already incorporates or is broad enough to incorporate and allow for the CESP concepts and objectives defined above, including scenario planning and the furtherance of clean and renewable energy efforts. In addition, to the extent there are any objectives that should be considered or specifically identified at a given time, Section IV.B of the existing IRP Framework referenced above contains a provision that allows the Commission to "specify other objectives for the utility . . . in the order opening the docket." As such, these objectives do not have to be specifically identified in the context of a framework, but instead may be ordered by the Commission. This would allow the existing framework to remain generalized and flexible and able to adjust to future changes without imposing specific objectives within the framework that may become outdated with the passage of time, but at the same

time ensure that any specific objectives can be adequately established, considered and updated in any particular planning cycle given the circumstances at that time.

An explicit example of the existing IRP Framework's flexibility and ability to incorporate to a large extent the principles and objectives of a CESP process is KIUC's IRP filed with the Commission in December 2008. In developing its IRP, KIUC, as the first and only electric cooperative in the State, was able to operate within the established IRP Framework to consider its cooperative principles, its member objectives, various uncertainties (i.e., scenarios), and its strategic plan goal to exceed statutory RPS requirements by moving KIUC towards energy independence and decreased reliance on foreign imported oil by meeting at least 50% of KIUC's annual electricity sales with energy generated by renewable resources by 2023. KIUC was able to consider all of these factors, including how to address various uncertainties/scenarios, in developing a plan that balanced these factors and uncertainties to allow for the lowest reasonable cost plan under the circumstances. KIUC directly evaluated not only uncertainty in future load growth and fuel costs by developing ranges of forecasts for these inputs, but also the uncertainty surrounding various potential renewable technologies. KIUC's consultant then conducted "probability" analyses to determine the percent chance that such scenarios/uncertainties would indeed occur. Each of the top-scoring plans was then modeled with those additional resources to determine the potential impacts of a yet-to-be-secured resource and how it should be considered in developing the plan. This process allowed KIUC to score and rank its plans so as to allow the preferred plan to be considered, modified and ultimately developed in the realm of various potential futures and uncertainties.

**Issue 2:** **What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?**

As stated above, the existing IRP Framework provides utilities with an appropriate and flexible mechanism to effectively address present and future energy needs as they may evolve and to implement applicable energy policies and mandates that are established or modified over time. The existing IRP Framework accomplishes this by establishing certain requirements and considerations for each utility to follow as part of its planning process, but doing so in a way that allows each utility to determine how best to satisfy these requirements and considerations in the context of any other specific objectives or requirements applicable to that utility, as well as to allow for changes in laws, interests, objectives and requirements as they may occur over time. It is this flexibility inherent in the existing IRP Framework that already enables the CESP principles and objectives described above to be accomplished under the current IRP Framework.

Given the above, KIUC believes that the existing IRP Framework should be used as the starting point from which to develop a more current and updated framework. With that in mind, KIUC's proposed framework attached hereto as Exhibit 1 utilizes the existing IRP framework as the starting point, and then makes certain changes that KIUC believes are prudent or necessary to further hone and update the IRP Framework since its inception in 1992 due to the passage of time and to make certain other changes.[22] This includes incorporating certain CESP principles and objectives into the proposed

[22] As noted in footnote 2 above, KIUC has included two versions of its proposed framework in Exhibit 1. The second version is a "blacklined" version showing the text changes that KIUC has made to the existing IRP Framework.

framework that, although already encompassed through the broad and flexible language of the existing IRP Framework, perhaps should be identified with more specificity such as to: (1) specifically mention the need to review and consider various scenarios/uncertainties, and (2) clarify or expand on the various factors that should be considered by a utility as part of its planning efforts to include specific references to energy policies, initiatives and requirements.[23]

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[23] KIUC notes that, in addition to the above, KIUC has also inserted various definitions to define certain terms already used in the existing IRP Framework or included in KIUC's proposed framework, as well as to make other clarification changes that KIUC believes are fairly self-explanatory. However, there are a few changes that KIUC would like to point out.

First, as noted in the following footnote, KIUC has included a waiver provision in its proposed framework. See Section III.D.5 of KIUC's proposed framework (Exhibit 1). Although KIUC acknowledges that a utility may as a practical matter request a waiver of any provision or requirement from the Commission as discussed below, KIUC believes that it would be prudent to specifically include a waiver provision within the body of the framework.

Second, as a cooperative, KIUC believes that it is important to ensure that it will have the ability to include at least one representative from KIUC's member-elected Board of Directors on the advisory group, or alternatively, a representative of the membership selected by the Board of Directors. See Section III.E.1.c of KIUC's proposed framework (Exhibit 1). Although KIUC acknowledges that under its proposed framework, the utility organizes the advisory groups, KIUC believes it is important that the framework specifically allows KIUC to include in its advisory group a representative from or selected by the directors that KIUC's membership base elected to represent their overall interests.

Third, KIUC has also modified the existing IRP framework so that the Commission will not approve the entire IRP, but only the action plan contained within the IRP that sets forth the utility's plan of implementation for the first five years following the IRP. KIUC's reason for suggesting this change is that, given the difficulty in forecasting or planning what may or will happen beyond five years and because the framework contemplates an entirely new IRP process every three years, KIUC believes that the most important part of the IRP is the 5-year action plan, as this represents the decisions that the utility must make in the immediate future. As such, although the entire IRP would be reviewed, it may not be necessary for the entire IRP to be subject to Commission approval, but instead only the 5-year action plan submitted as part of the IRP. For these reasons, KIUC believes that the main focus of the Commission should be on whether the 5-year action plan developed by the utility adequately analyzes and considers various scenarios/uncertainties and objectives as well as the short and long-term needs of the utility in developing the action plan over that 5-year period, and whether the resulting 5-year action plan is reasonable and in the public interest under the circumstances. However, KIUC does not have a strong position on this matter, and thus, having said the above, KIUC would not be opposed to the continued tradition of a full review and approval of the 20-year IRP if the Commission should be so inclined to do so.

In making its proposed revisions to the IRP Framework (Exhibit 1), KIUC's goal was to maintain the broad and flexible nature of the existing IRP Framework. In other words, KIUC's revisions were designed to set forth certain requirements and considerations that each utility must follow, but in a manner that would allow each utility to determine how best to satisfy these requirements and considerations within the context of its own distinct set of circumstances, objectives and requirements. The advantage of this, in KIUC's opinion, is that this would allow the framework to continue to be a "one size fits all" document that will apply to each energy utility despite their respective differences. In KIUC's view, if the provisions in the framework become too specific, it will no longer be feasible to have a single framework that would apply to each utility (or at least that would apply to KIUC and the Hawaiian Electric Companies), given their material differences and requirements as further discussed below. If the framework becomes too specific in nature, separate sections, provisions or exceptions would need to be inserted to account for these differences between KIUC and the Hawaiian Electric Companies, which KIUC believes would be counterproductive and confusing to the layman reader. If that occurred, then KIUC believes that it would be prudent and in the public interest to allow KIUC to have an entirely separate framework from the one that may be established for the Hawaiian Electric Companies.

At the time the Commission established the existing IRP Framework in 1992, the Commission recognized the difficulty in providing for uniform applicability even with a broad-based IRP Framework:

> Even though the [C]ommission's framework is not as specific and detailed as the Consumer Advocate's proposal, it may yet present some difficulties to KE [or Kauai Electric, KIUC's

> predecessor], due to the size of its staff. Indeed, some provisions of the framework may pose problems for other utilities as well. The [C]ommission's framework makes no provision for deviations from the framework's requirements. However, as a practical matter, a utility may, at any time, request a waiver from the commission. A utility seeking such a waiver will have the burden of showing, to the [C]ommission's satisfaction, that compliance with the requirement is impossible, impractical, inappropriate, or economically infeasible.[24]

In 1992, the Commission recognized the difficulty in establishing a framework applicable to all energy utilities by acknowledging that even a broad-based framework may give rise to instances where a waiver would be necessary, particularly in Kauai's case due to the size of its electric utility relative to the Hawaiian Electric Companies. Since the establishment of the existing IRP Framework in 1992, the ownership change of Kauai's electric utility from an IOU to the State's only electric cooperative in November 2002 has resulted in even further and more significant differences between KIUC and the Hawaiian Electric Companies beyond just the respective sizes of the utilities. The following is a discussion of the various factors that distinguish KIUC from the Hawaiian Electric Companies and that must be considered in determining the scope of any specific amendments to the existing IRP Framework or the provisions that should be contained in any new framework if the existing framework is destined to be abandoned.

**As a Cooperative, KIUC's Ratepayers and Owners/Shareholders Are Essentially One and the Same**

The fundamental difference that underlies many of the distinctions between KIUC and the Hawaiian Electric Companies is KIUC's cooperative status. As a

[24] Decision and Order No. 11523 at 11. It should be noted that KIUC has included a specific waiver provision in its proposed framework (Exhibit 1).

member-owned cooperative, KIUC's ratepayers and owners/shareholders (i.e., members) are essentially one and the same. This is fundamentally very different than an IOU, whereby the IOU's owners/shareholders must be concerned with not only ensuring that they can obtain cost recovery from the ratepayers, but also to ensure that a suitable profit is earned for the owners/shareholders. As a result, for an IOU, a determination and balance must be made by the Commission as to which costs, expenses or investments should be borne by the utility's ratepayers and which costs, expenses or investments should instead be borne by the utility's owners/shareholders. Because KIUC's owners (i.e., members) and ratepayers are essentially one and the same, the inherent conflict between the interests of the ratepayers and owner/shareholders does not exist and there is no need to differentiate between the two (in other words, there is no ability to differentiate between the costs, expenses and investments that should be borne by the owners/shareholders versus the ratepaying customers as they are essentially one and the same for a cooperative). Thus, depending on their level of specificity, provisions in an IRP or CESP framework that an IOU may seek to include to allow for recovery of costs or to ensure consideration or protection of owner vs. customer interests may or may not apply in the cooperative context.

**Already Established Exemptions**

In recognition of KIUC's cooperative structure, the Commission has exempted KIUC from the Competitive Bidding Framework imposed on the Hawaiian Electric Companies. See Order Granting KIUC Exemption from Framework for Competitive Bidding, filed on March 14, 2007, in Docket No. 03-0372. In addition, unlike the

Hawaiian Electric Companies, KIUC is also not subject to the Public Benefit Fee ("PBF") administration of energy efficiency programs. See Decision and Order No. 23258, filed on February 13, 2007, in Docket No. 05-0069. As noted in Attachment 1 to the April 28, 2009 letter submitted in this docket, the Proposed CESP Framework prepared by the Hawaiian Electric Companies includes several references to the Competitive Bidding Framework and the role of the PBF administrator. If these provisions remain in any revised or new framework that would apply to KIUC, they will need to be modified to reflect the fact that KIUC is not subject to these requirements and possibly include alternative provisions for KIUC in their place.

**KIUC's Board of Directors**

As a cooperative, KIUC is a community-based and owned organization that elects its Board of Directors from its membership base (which, as mentioned above, is essentially its customer base). This member-elected Board of Directors is mandated to represent the voice of its members and to set forth the policies and direction of the cooperative. Depending on the provisions that may be included in any new or revised framework that would apply to KIUC and its level of specificity, KIUC believes that such a framework may need to be revised to specifically set forth the role and involvement of this member-elected Board of Directors in a new planning process.

**Equity Management Plan ("EMP")**

EMP is a financial planning tool used by many electric cooperatives, including KIUC, to determine an appropriate balance between near and long-term rate impacts and objectives, equity levels, and other goals and objectives of the cooperative, including to provide adequate and reliable and cost-effective electric service. KIUC's

EMP provides a comprehensive overview and discussion of the financial planning for KIUC. This plan is used to establish a financial roadmap for KIUC by attempting to balance the needs and objectives of KIUC's members, lenders and regulators. In doing so, the EMP attempts to achieve an optimum balance between the sometimes conflicting interests of (1) the cooperative's equity level and targets, (2) lender covenants and requirements, (3) capital expenditures to construct renewable energy generation technologies and reduce reliance on high-cost fossil fuels, (4) capital expenditures to maximize the generation efficiency of KIUC's existing fleet of fossil fuel fired generation, and (5) a member's strategic interest for patronage capital refunds that in effect lowers the cost of electric energy for each member. KIUC's current EMP identified the following factors as being of significant importance in KIUC's financial planning efforts:

- ❖ Building equity levels to increase KIUC's equity ratio.
- ❖ Establishing appropriate regulatory and effective TIER requirements.
- ❖ Balancing borrowing needs and equity levels to fund KIUC's capital needs.
- ❖ Maintaining general consistency with KIUC's strategic plan (which calls for KIUC meeting 50% of KIUC's annual kWh sales with eligible renewable resources by 2023 and reducing greenhouse levels to 1990 levels) and resource planning.
- ❖ Achieving the Hawaii Renewable Portfolio Standards requirements.
- ❖ Maintaining appropriate cash reserve levels, and
- ❖ Evaluating future revenue requirement and future rate adjustment needs.

Given that many aspects of the EMP overlap with the objectives and considerations that KIUC believes would be inherent in any CESP process (e.g.,

balancing of short- and long-term needs and expectations, accomplishment of renewable and clean energy initiatives, and accommodation of competing interests), any new or revised framework that contains provisions more specific than those set forth in the existing IRP Framework or KIUC's proposed framework (Exhibit 1) must consider how the EMP would be implemented as part of the resultant framework to ensure that there are no conflicts or undue redundancy in their respective requirements and processes.

**Financing**

As a cooperative, KIUC is able to receive financing at very favorable interest rates from the Rural Utilities Service ("RUS"), its current lender. In order to obtain this financing, KIUC is required to follow and comply with various RUS requirements and directives, which include the preparation of a Load Forecast of at least 10 years, a Long Range Engineering Plan covering 10 or more years, and a 2 to 4 year Construction Work Plan. Similar to KIUC's EMP, the planning that is required and undertaken as part of the Load Forecast, Long Range Engineering Plan, and Construction Work Plan in many ways considers, undertakes, parallels and accomplishes the principles and objectives that are intended to be accomplished through a CESP process. As a result, any new IRP/CESP framework or revisions made to the existing IRP Framework that contains provisions more specific than those set forth in the existing IRP Framework or KIUC's proposed framework (Exhibit 1) would likely require extensive review and changes or alternative provisions/sections that determine and set forth how KIUC's Load Forecast, Long Range Engineering Plan, and

Construction Work Plan would or should be integrated to ensure that there are no conflicts or undue redundancy in their respective requirements and processes.

Given the above material differences between KIUC and the Hawaiian Electric Companies identified above, KIUC contends that the most effective way to continue having a "one size fits all" framework that would apply to both KIUC and the Hawaiian Electric Companies is through the more general and flexible approach similar to the existing IRP Framework, in which certain requirements and considerations are established for each utility to follow, but with broad enough language that would allow each utility to determine how best to satisfy these requirements and considerations within the context of its own distinct set of characteristics, circumstances, objectives and requirements. This is what KIUC attempted to accomplish through its proposed framework attached as Exhibit 1 hereto. For the reasons discussed herein, KIUC contends that its revised framework is reasonable and in the public interest.

**Issue 3: Whether the Proposed Changes to the IRP Process Should Include Changes to Reflect Differences Between Electric Cooperatives and Investor Owned Utilities?**

As discussed above, due to the material differences between KIUC and the Hawaiian Electric Companies, any changes to the IRP process must allow KIUC as an electric cooperative and the Hawaiian Electric Companies as IOUs to effectively plan while being able to sufficiently consider and take into account their differing characteristics, circumstances, objectives and requirements. For the reasons discussed above, KIUC believes that the existing IRP Framework as modified by KIUC's proposed framework (Exhibit 1) provides the most effective way to accomplish this while still having a "one size fits all" framework. KIUC's proposed framework allows each utility to

take into consideration its own unique situation but without having to specifically set forth in a uniform framework the different requirements or provisions that would apply to each. Instead, the goal of the proposed framework is to set forth certain specific requirements and considerations that each utility must follow, and to then allow each utility to develop and fashion the process that would best meet its own unique set of circumstances, objectives and requirements.

KIUC contends that the creation of a new or revised framework that would contain provisions that go beyond the broad and flexible intent of the existing IRP Framework and KIUC's proposed framework would work contrary to the objective of efficient uniform applicability. These types of specific changes would require in-depth analyses to: (1) first determine whether the requirement is applicable to both KIUC and the Hawaiian Electric Companies, and (2) if the requirement is not applicable to each, determine whether the requirement should be broadened to apply to both or instead should be addressed through the establishment of separate provisions or sections in the framework. The more specific the changes become, such as the references to the Competitive Bidding Framework and the PBF administrator in the Hawaiian Electric Companies' Proposed CESP Framework, the more the framework will need to be further revised to create entirely separate sections, provisions or exceptions to account for these differences. KIUC believes that this would become complex and confusing due to the multiple layers needed to describe each requirement's varied applicability. If a decision is made to create a framework that is more specific in nature than the existing IRP Framework and KIUC's proposed framework, then KIUC believes that the most efficient way to make such a framework applicable to KIUC is to allow KIUC, as

contemplated by the Hawaiian Electric Companies' Proposed CESP Framework, to seek a waiver or exemption from any or all portions of the framework once it is established for the Hawaiian Electric Companies, or, alternatively, to establish an entirely separate framework for KIUC.

**Issue 4: What Should Be the Role of the Public Benefits Fee Administrator?**

As provided above, because KIUC is not subject to the use of a PBF Administrator to administer energy efficiency programs pursuant to Decision and Order No. 23258, filed on February 13, 2007, in Docket No. 05-0069, KIUC does not believe that the PBF Administrator has any role in KIUC's IRP/CESP process. Nevertheless, KIUC would be open to working collaboratively with the PBF Administrator and the Hawaiian Electric Companies regarding information sharing on energy efficiency programs if the Commission's contract with the PBF Administrator allowed for such collaboration.

## IV. Conclusion

As discussed above, KIUC believes that the existing IRP Framework has been and is still a very useful and beneficial tool for KIUC in its planning efforts because it establishes certain requirements and considerations as part of the planning process, but in a way that allows each utility the flexibility to determine how best to meet these requirements and considerations, and any other specific objectives or requirements that may be imposed upon the utility, within the context of its own structure (e.g., cooperative structure like KIUC), as well as to allow for changes in laws, interests, objectives and requirements over time. KIUC also believes that the principles and objectives discussed above that are intended to be accomplished through a CESP

process are already incorporated or allowed by the broad and flexible nature of the existing IRP Framework.

As a result, if a single framework is to continue to apply to KIUC and the Hawaiian Electric Companies, KIUC believes that the existing IRP Framework should be used as a starting point and that any changes made to that framework should remain broad-based and flexible, similar to the nature of the existing IRP Framework, so that these changes would not require delineation between the Hawaiian Electric Companies and KIUC to account for their differing requirements and circumstances. KIUC has attempted to accomplish this through its proposed framework submitted as Exhibit 1 attached hereto.

If a broad-based framework is not maintained, then, as the framework becomes more specific in nature and the more it deviates from the broad and flexible intent of the existing IRP Framework, the greater the chance that the framework would not sufficiently account for or address the unique differences, requirements and circumstances between KIUC and the Hawaiian Electric Companies and would require the creation of separate provisions or entirely different sections in order to account for these differences. This process would not only be labor intensive but will likely result in a document that would be confusing to many readers. Thus, unless a more general and flexible approach similar to the existing IRP Framework and KIUC's proposed framework is followed, KIUC believes that the most efficient way to establish a more specific as opposed to generalized framework for KIUC is to allow KIUC, as contemplated by the Hawaiian Electric Companies' Proposed CESP Framework, to seek a waiver or exemption from any or all portions of the framework once it is

established for the Hawaiian Electric Companies, or, alternatively, to establish an entirely separate framework for KIUC.

DATED: Honolulu, Hawaii, December 21, 2009.

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# EXHIBIT 1
# (Clean)

PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

A FRAMEWORK FOR INTEGRATED RESOURCE PLANNING
March 9, 1992
REVISED: December 21, 2009

I. Definitions

Unless otherwise clear from the context, as used in this framework:

"Action plan" or "5-year action plan" means an implementation plan included as part of the integrated resource plan that provides a detailed action plan covering the first five years of the 20-year horizon.

"Capital investment costs" means costs associated with capital improvements, including planning, the acquisition and development of land, the design and construction of new facilities, the making of renovations or additions to existing facilities, the construction of built-in equipment, and consultant and staff services in planning, design, and construction. Capital investment costs for a program are the sum of the program's capital improvement project costs.

"Commission" means the State of Hawaii Public Utilities Commission.

"Consumer Advocate" means the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs.

"Costs" means the full and life cycle costs of a resource option.

"Cost categories" means the major types of costs and includes research and development costs, investment costs, and operating and maintenance costs.

"Cost elements" means the major subdivision of a cost category. For the category "investment costs", it includes capital investment costs, initial equipment and furnishing costs, and initial education and training costs. For the categories "research and development costs" and "operating and maintenance costs", it includes labor costs, fuel costs, materials and supplies costs, and other current expenses.


EXHIBIT 1

"Demand-side management" means a program or programs implemented to influence utility customer uses of energy to produce desired changes in energy requirements to the utility or as a whole. It includes conservation, load management, efficiency improvements and renewable resources.

"Design costs" means the costs related to the preparation of architectural drawings for capital improvements, from schematics to final construction drawings.

"Effectiveness measure" means the criterion for measuring the degree to which the objective sought is attained.

"Efficiency" means program and program results that decrease energy requirements and improve the capability of energy resources.

"External benefits" means external economies; benefits to or positive impacts on the activities of entities outside the utility and its ratepayers. External benefits include environmental, cultural, and general economic benefits.

"External costs" means external diseconomies; costs to or negative impacts on the activities of entities outside the utility and its ratepayers. External costs include environmental, cultural, and general economic costs.

"Full cost" means the total cost of a program, system, or capability, including research and development costs, capital investment costs, and operating and maintenance costs.

"Initiatives" means principles, programs or practices set forth by the utility, administrative action, regulation or public common interest in furtherance of specific energy objectives.

"Investment costs" means the one-time costs beyond the development phase to introduce a new system, program, or capability into use. It includes capital investment costs, initial equipment acquisition costs, and initial education and training costs.

"Life cycle costs" means the total cost impact over the life of the program. Life cycle costs include research and development cost, investment cost (the one-time cost of instituting the program), and operating and maintenance (O&M) cost.

"Objective" means a statement of the end result, product, or condition desired, for the accomplishment of which a course of action is taken.

"Operating and maintenance costs" or "O&M costs" means recurring costs of operating, supporting, and maintaining authorized programs, including costs for labor, fuel, materials and supplies, and other current expenses.

"Participant impact" means the impact on participants in a demand-side management program in terms of the costs borne and the direct, economic benefits received by the participants.

"Plan" or "integrated resource plan" means the integrated resource plan resulting from this framework, in which one component is the action plan.

"Program" means a resource and activity, or combination of resources and activities, designed to achieve an objective or objectives.

"Program size" means the magnitude of a program, such as the number of persons serviced by the program, the amount of a commodity, the time delays, the volume of service in relation to population or area, etc.

"Program size indicator" means a measure to indicate the magnitude of a program.

"Ratepayer impact" means the impact on a ratepayer in terms of utility rates.

"Research and development costs" means costs associated with the development of a new system, program, or capability to the point where it is ready for introduction into operational use. It includes the costs of prototypes and the testing of the prototypes. It includes the costs of research, planning, and testing and evaluation.

"Resource" means a facility, equipment, technology, measure or action that will contribute to energy availability and deliverability.

"Scenario" means an event, factor, condition or circumstance for which the outcome: (1) is uncertain, (2) is beyond the reasonable control of the utility, (3) could have a significant impact on the utility's planning depending on the range of plausible futures, and (4) should as a result be specifically identified for consideration by the utility of

the range of plausible futures as part of its planning and the development of its action plan.

"Societal cost" means the total direct and indirect costs to society as a whole. Society includes the utility and, in a demand-side management program, the participants.

"Societal cost-benefit assessment" means an assessment of the costs and benefits to society as a whole.

"Statute" means a provision of the then-current Hawaii Revised Statutes, the body of law governing the State of Hawaii, as may be amended or superceded from time to time.

"Supply-side programs" means programs designed to increase the availability and supply of energy, including renewable energy.

"Total resource cost" means the total cost of a demand-side management program, including both the utility and participants' costs.

"Utility cost" means the cost to the utility (including ratepayers), excluding costs incurred by participants in a demand-side management program.

"Utility cost-benefit assessment" means an assessment of the costs and benefits to the utility.

## II. Introduction

### A. Goal of Integrated Resource Planning

The goal of integrated resource planning is the identification of the resources or the mix of resources for meeting near and long term consumer energy needs in an efficient and reliable manner at the lowest reasonable cost under the circumstances and in a manner that reasonably furthers the objectives set forth in Section IV.B of this framework.

### B. Governing Principles (Statements of Policy)

1. The development of integrated resource plans is the responsibility of each utility.

2. Integrated resource plans shall comport with applicable state and county environmental, health, and safety laws (including any applicable renewable

portfolio standards); formally adopted state and county plans; and other applicable administrative and regulatory requirements.

3. Integrated resource plans shall be developed upon consideration and analyses of any established energy policies and initiatives in effect at that time.

4. Integrated resource plans shall be developed upon consideration and analyses of the costs, effectiveness, and benefits of all appropriate, available, and feasible supply-side and demand-side options.

5. Integrated resource plans shall give consideration to the plan's impacts upon the utility's consumers, the environment, culture, community lifestyles, the State's economy, and society.

6. Integrated resource plans shall take into consideration the utility's financial integrity, available sources of capital, ownership structure, size, physical capability and objectives for the adequacy and reliability of energy services.

7. Integrated resource planning shall be an open public process. Opportunities shall be provided for participation by the public and governmental agencies in the development and in commission review of integrated resource plans.

8. The utility is entitled to recover all appropriate and reasonable integrated resource planning and implementation costs.

9. Integrated resource planning shall consider identified scenarios and its range of plausible futures in developing the utility's action plan.

C. Utility's Responsibility

1. Each utility is responsible for developing a plan or plans for meeting the energy needs of its customers.

2. The utility shall prepare and submit to the commission the utility's integrated resource plan at the time or times specified in this framework. This integrated resource plan shall include a proposed

action plan as described in this framework for commission approval.

3. The utility shall execute the commission approved action plan once approved by the commission.

4. The utility shall annually examine and evaluate its achievements in attaining its objectives.

D. Commission's Responsibility

1. The commission's responsibility, in general, is to determine whether, under the circumstances, the utility's plan represents a reasonable course for meeting the energy needs of the utility, is in the public interest, and consistent with the goals and objectives of integrated resource planning as set forth in this framework.

2. Specifically, the commission will review the utility's integrated resource plan, its action plan (which includes an implementation schedule), and its evaluations, and generally monitor the utility's implementation of its action plan. Upon review, the commission may approve, reject, approve in part and reject in part the action plan, or require modifications of the utility's integrated resource plan and/or action plan, as applicable.

3. The parties shall cooperate in expediting commission hearings on the utility's integrated resource plan and action plan. To the extent possible, the commission will hear the utility's application for approval of its action plan within six months of the plan's filing, and the commission will render its decision shortly thereafter.

E. Consumer Advocate's Responsibility

1. The consumer advocate has the statutory responsibility to represent, protect, and advance the interests of consumers of utility services. The consumer advocate, therefore, has the duty to ensure that the utility's integrated resource plan promotes the interest of utility consumers.

2. The consumer advocate shall be a party to each utility's integrated resource planning docket and a

member of any and all advisory groups established by the utility in the development of its integrated resource plan. The consumer advocate shall also participate in all public hearing and other sessions held in furtherance of the utility's efforts in integrated resource planning.

## III. The Planning Context

### A. Major Steps

There are four major steps in the integrated resource planning process: planning, programming, implementation, and evaluation.

1. Planning is that process in which the utility's needs are identified, including any transmission or generation needs; the utility's objectives are formulated; measures by which effectiveness in attaining objectives are specified; the alternatives by which the objectives may be attained are identified; the full cost, effectiveness, and benefit implications of each alternative are determined; the assumptions, risks, and uncertainties are clarified; the scenarios identified; the cost, effectiveness, and benefit tradeoffs of the alternatives are made and how these alternatives are impacted by the range of plausible futures from each identified scenario; the resource options are chosen; and program choices are subjected to sensitivity analyses. The product of this process is the utility's integrated resource plan. The planning horizon for utility integrated resource plans is 20 years. Unless otherwise ordered by the commission, the 20-year period begins on January 1 following the completion of the plan.

2. Programming is that process by which the utility's long-range resource plans are scheduled for implementation over a five-year period through the development of an action plan. In this process, a determination is made as to the options selected to be implemented; the order in which the selected options are to be implemented; the phases or steps by which each option is to be implemented; the expected target group and the annual size of the target group or annual level of penetration of demand-side management programs; the supply-side programs; the expected levels of

effectiveness in achieving integrated resource planning objectives; and the annual expenditures, by cost categories and cost elements, required to be made by the utility to support implementation of the plan. The result of this process is the action plan. The action plan provides an implementation strategy and timetable/schedule for resource plan implementation.

3. Implementation is that process by which the resource options to be implemented are acquired and instituted in accordance with the utility's action plan.

4. Evaluation is that process by which the results of the resource program options are measured in light of the utility's objectives. In this process the actual costs, effectiveness, and benefits of the resource options and the attainment of the utility's objectives are measured against those that were projected in the planning and programming stages of the planning cycle.

B. The Planning Cycle

1. Each utility shall prepare an integrated resource plan in accordance with dates established by the commission in the initiating docket. The plan shall include the submittal of the 5-year action plan for commission approval.

2. Each utility shall conduct a major review of its integrated resource plan every three years. In such a review, a new 20-year time horizon for the plan and a new 5-year time horizon for the action plan shall be adopted, the planning process repeated, and the utility's resource programs re-analyzed fully.

C. The Docket

1. Each planning cycle for a utility will commence with the issuance of an order by the commission opening a docket for integrated resource planning.

2. The docket will be maintained throughout the planning cycle for the filing of documents, the resolution of procedural disputes and other

purposes related to the utility's integrated resource plan.

3. Within 30 days after the opening of the docket, the utility shall prepare, in consultation with the consumer advocate, and file with the commission a schedule that it intends to follow in the development of its integrated resource plan. The schedule may be amended upon the formation of an advisory group or groups and thereafter as appropriate.

4. The utility shall complete its integrated resource plan and associated action plan within one year of the commencement of the planning cycle.

D. Submissions to the Commission

1. The utility shall submit its integrated resource plan as follows.

   a. The utility shall include in its integrated resource plan a full and detailed description of (1) the needs identified; (2) the forecasts made; (3) any assumptions underlying the forecasts; (4) the objectives to be attained by the plan; (5) the measures by which achievement of the objectives is to be assessed; (6) the resource options or mix of options included in the plan; (7) the assumptions and the basis of the assumptions underlying the plan; (8) the risks and uncertainties associated with the plan including the identified scenarios; (9) the energy policies, initiatives and requirements considered; (10) the revenue requirements on a present value basis and on an annual basis; (11) the expected impact of the plan on demand; (12) the expected achievement of objectives; (13) the potential impact of the plan on rates, consumer bills, and consumer energy use; (14) the plan's external costs and benefits; and (15) the relative sensitivity of the plan to changes in assumptions and other conditions. The items enumerated should, where appropriate, be described for the plan as a whole and for each of the resources or mix of resources included in the plan.

b. The utility shall file with the integrated resource plan a full and detailed description of the analysis or analyses upon which the plan is based. The utility shall fully describe, among other things, (1) the data (and the source of the data) upon which needs were identified and forecasts made; (2) the methodologies used in forecasting; (3) how the plan furthers, accomplishes and complies with applicable energy policies, initiatives and requirements; (4) how the range of plausible futures considered for each identified scenario impacted the utility's planning; (5) the various objectives and measures of assessing attainment of objectives that were considered, but rejected, and the reasons or rejecting any objective or measure; (6) the resource options that were identified, but screened out and not considered and the reasons for the rejection of any resource option; (7) any assumptions and the basis of the assumptions; (8) the risks and uncertainties, the costs, effectiveness, and benefits (including external costs and benefits) and the impacts on demand, rates, consumer bills, and consumer energy uses associated with each resource option or mix of options that was considered; (9) the comparisons and the cost, effectiveness, and benefit tradeoffs and optimization made of the options and mixes of options; (10) the models used in the comparisons, tradeoffs, and optimization; (11) the criteria used in any ranking of options and mixes of options; and (12) the sensitivity analyses conducted for the options and mixes of options.

c. The utility shall also file with the integrated resource plan a description of all alternate plans that the utility evaluated, the ranking it accorded the various plans, the criteria used in such ranking (including any criteria developed as a result of the identified scenarios), and a full and detailed explanation of the analysis upon which it selected its preferred integrated resource plan.

d. The submissions should be simply and clearly written and, to the extent possible, in non-

technical language. Charts, graphs, and other visual devices may be utilized to aid in understanding the plan, the action plan and the analyses made by the utility. The utility shall provide an executive summary of the plan, the action plan, and of the analyses and appropriately index its submissions.

2. The utility shall submit its action plan as follows.

   a. The utility shall include in the action plan by year: an implementation schedule that shows the programs or phases of programs to be implemented in each of the 5 years of the action plan; the expected level of achievement of objectives; the expected size of the target group or level of penetration of any demand-side management activity; the expected supply-side resource additions; the expenditures, by cost categories and cost elements, required to be made by the utility to support implementation of each resource option or phase of such option.

   b. The utility shall file with its action plan a full and detailed description of the analysis upon which the implementation schedule is based. The utility shall fully describe, among other things:

      (1) The steps required to realize and implement the supply-side and demand-side resources included in the schedule.

      (2) How the target groups were selected and how program penetration for demand-side management programs and the expected levels of effectiveness in achieving integrated resource planning objectives were derived.

      (3) The expected annual effects of implementation on the utility and its system, the ratepayers, the environment, public health and safety, cultural interests, the state economy, and society in general.

c. The action plan shall also be accompanied by the utility's proposals on cost and revenue loss recovery and incentives, as appropriate.

3. The utility shall submit its annual evaluation as follows.

a. The utility shall include in its annual evaluation, an assessment of the continuing validity of the forecasts and assumptions upon which its integrated resource plan and its action plan were fashioned.

b. The utility shall also include for each program or phase of program included in the action plan for the immediately preceding year a comparison of:

(1) The expenditures anticipated to be made and the expenditures actually made, by cost categories and cost elements.

(2) The level of achievement of objectives anticipated and the level actually attained.

(3) The target group size or level of penetration anticipated for each demand-side management program and the size or level actually realized.

(4) The effects of program implementation anticipated and the effects actually experienced.

c. The utility shall provide an assessment of all substantial differences between original estimates and actual experience and of what the actual experience portends for the future.

d. Together with its annual evaluation, the utility shall submit a revised or updated action plan that drops the immediately preceding year from the schedule and includes a new year. The action plan must always reflect a five-year time span.

4. The utility may at any time, as a result of its annual evaluation or change in conditions, circumstances, or assumptions, revise or amend its

integrated resource plan or its action plan. All revisions and amendments must conform to the appropriate requirements of this part D.

5. The utility may, at any time, request a waiver from the commission from any or all of the provisions of this framework. A utility seeking such a waiver shall have the burden of showing, to the commission's satisfaction, that compliance with this framework, or any of its provisions, is impossible, impractical, inappropriate, economically infeasible, or otherwise not in the public interest. Any waiver that a utility may seek should be sought at the earliest feasible and possible moment, at least not later than the moment it becomes apparent that the utility does not intend to comply with a particular framework requirement.

6. The integrated resource plan and resulting action plan approved by the commission shall provide a basis for all utility expenditure for capital projects, purchased power, and demand-side management programs. Notwithstanding approval of the action plan: (a) an expenditure for any capital project shall be submitted to the commission for review to the extent required under paragraph 2.3.g.2 of General Order No.7, as amended or may be amended from time to time; and (b) no obligation under any purchased power contract shall be undertaken and no expenditure for any specific demand-side management program included in an integrated resource plan or action plan shall be made without prior commission approval. All power purchases from qualifying facilities and independent power producers shall be subject to any applicable statute and commission rules.

E. Public Participation

To maximize public participation in each utility's integrated resource planning process, opportunities for such participation shall be provided through advisory groups to the utility, public hearings, and interventions in formal proceedings before the commission.

1. Advisory groups

a. The utility shall organize in each county in which the utility provides service or conducts utility business a group or groups of representatives of public and private entities to advise the utility in the development of its integrated resource plan. A separate advisory group may be formed for each stage of the planning process, as appropriate. The utility shall chair each advisory group.

b. The public and private entities includable in an advisory group are those that represent interests that are affected by the utility's integrated resource plan and that can provide significant perspective or useful expertise in the development of the plan. These entities include state and county agencies and environmental, cultural, business, and community interest groups. An advisory group should be representative of as broad a spectrum of interests as possible, subject to the limitation that the interests represented should not be so numerous as to make deliberations as a group unwieldy.

c. For a member-owned utility cooperative, the advisory group shall include at least one representative of the membership's Board of Directors, or a representative of the membership selected by the Board of Directors.

d. The utility shall consider the input of each advisory group; but the utility is not bound to follow the advice of any advisory group.

e. All data reasonably necessary for an advisory group to participate in the utility's integrated resource planning process shall be provided by the utility, subject to the need to protect the confidentiality of customer-specific and proprietary information.

f. The use by the advisory groups of the collaborative process is encouraged to arrive at a consensus on issues.

g. All reasonable out-of-pocket costs incurred by participants in advisory groups (other than governmental agencies) shall be paid for by the utility, subject to recovery as part of

the utility's cost of integrated resource planning.

2. Public hearings

   a. The utility is encouraged to conduct public hearings or provide public forums at the various, discrete phases of the planning process for the purpose of securing the input of those members of the public who are not otherwise represented.

   b. Upon the filing of requests for approval of the action plan or its associated projects, the commission may, and it shall where required by statute, conduct public hearings for the purpose of securing public input on the utility's proposal. The commission may also conduct such informal public meetings as it deems advisable.

3. Intervention

   a. Upon the filing of its integrated resource plan, the utility shall cause to be published in a newspaper of general circulation in the State a notice informing the general public that the utility has filed its proposed integrated resource plan and has sought approval of its 5-year action plan contained therein from the commission.

   b. To encourage public awareness of the filing of a proposed utility plan, a copy of the entire plan and the supporting analysis shall be available for public review at the commission's office and at the office of the commission's representative in the county serviced by the utility. In the case of Maui Electric Company, Limited, the utility shall also make a copy of its proposed plan and the supporting analysis available at a public library on each of the islands of Molokai and Lanai. In the case of Hawaii Electric Light Company, Inc., the utility shall also make a copy of its proposed plan and the supporting analysis available at a public library in Kona. Each utility shall note the availability of the documents for public review at these locations in its published

notice. The utility shall make copies of the executive summary of the plan and the analysis available to the general public at no cost, except the cost of duplication.

c. Applications to intervene or to participate without intervention in any proceeding in which a utility seeks commission approval of the 5-year action plan contained within its integrated resource plan are subject to the rules prescribed in Hawaii Administrative Rules, Chapter 6-61 (Rules of Practice and Procedure before the Public Utilities Commission); except that such applications may be filed with the commission not later than 20 days after the publication by the utility of a notice informing the general public of the filing of the utility's application for commission approval of its integrated resource plan, notwithstanding the opening of the docket before such publication.

d. A person's status as an intervenor or participant shall continue through the life of the docket, unless the person voluntarily withdraws or is dismissed as an intervenor or participant by the commission for cause.

4. Intervenor funding

a. Upon the issuance of the commission's final order on a utility's 5-year action plan contained within its integrated resource plan or any amendment thereto, the commission may grant an intervenor or participant (other than a governmental agency, a for-profit entity, and an association of for-profit entities) recovery of all or part of the intervenor's or participant's direct out-of-pocket costs reasonably and necessarily incurred in intervention or participation. Any recovery and the amount of such recovery are in the sole discretion of the commission.

b. To be eligible for such recovery:

(1) The intervenor or participant must show a need for financial assistance;

(2) The intervenor or participant must demonstrate that it has made reasonable efforts to secure funding elsewhere, without success;

(3) The intervenor or participant must maintain accurate and meaningful books of account on the expenditures incurred; and

(4) The commission must find that the intervenor or participant made a substantial contribution in assisting the commission in arriving at its decision.

c. The intervenor's or participant's books of account are subject to audit, and the commission may impose other requirements in any specific case.

d. Such allowance may be made only upon the application of the intervenor or participant within 20 days after the issuance of the commission's final order, together with justification and documented proof of the costs incurred.

e. The costs of intervenor funding shall be paid for by the utility, subject to recovery as part of its costs of integrated resource planning.

F. Cost Recovery and Incentives

1. The utility is entitled to recover its integrated resource planning and implementation costs that are reasonably incurred, including the costs of planning and implementing pilot and full-scale demand-side management programs.

a. The cost recovery may be had through the following mechanisms:

(1) Base rate recovery--the inclusion of costs in the utility's base rate during each rate case. A balancing account may be appropriate to reconcile, with interest, the utility's recovered expenditures with its actual expenditures. It may also be appropriate to consider the

utility's under-expenditure of authorized cost to limit recovery, unless program objectives are met or exceeded.

(2) Adjustment clause--the recovery of costs incurred between rate cases in excess of the baseline integrated resource planning-related costs that are included in the utility's base rates.

(3) Ratebasing--the inclusion of costs that are capital in character (i.e., expenditures considered to produce long-term savings or benefits, such as appliance rebates, loans, etc.), with accumulated AFUDC, in the utility's rate base at its next rate case. The costs are to be amortized over a period set by the commission.

(4) Escrow accounting--the accumulation, with interest, of costs, not capital in character, incurred between rate cases and not otherwise recovered through the utility's base rates, adjustment clause, or rate base, in a deferred account, to be amortized over a period set by the commission.

b. The commission will determine the appropriate mechanism for the recovery of costs associated with demand-side management programs when specific demand-side management programs are submitted for commission approval. Cost recovery for other integrated resource programs generally will be addressed in each utility's rate case.

2. Under appropriate circumstances, the utility may recover the net loss in revenues sustained by the utility as a result of successful implementation of full-scale demand-side management programs sponsored or instituted by the utility.

a. The net revenue loss is the revenue lost less the variable fuel and operating expenses saved by the utility as a result of not having to generate the unsold energy.

b. The commission will determine whether the utility will be permitted to recover the net revenues lost as a result of successful implementation of a full-scale demand-side management program and the form of the recovery mechanism. The determination will be made when an application is filed for approval of the demand-side management program.

3. Under appropriate circumstances, the commission may provide the utility with incentives to encourage participation in and promotion of full-scale demand-side management programs.

   a. The incentives may take any form approved by the commission. Among the possible forms are:

      (1) Granting the utility a percentage share of the gross or net benefits attributable to demand-side management programs (shared savings).

      (2) Granting the utility a percentage of certain specific expenditures it makes in demand-side management programs (mark-up).

      (3) Allowing the utility to earn a greater than normal return on equity for ratebased demand-side management expenditures (rate base bonus).

      (4) Adjusting the utility's overall return on equity in response to quantitative or qualitative evaluation of demand-side management program performance (e.g., adjusting the return upward for achieving a certain level of kilowatt or kilowatt-hour savings) (ROE adjustment).

   b. The commission will determine whether the utility will be provided with incentives and the form of such incentives, if any, when specific demand-side management programs are submitted for approval. The utility may propose incentive forms for a particular program, based on the particular attributes of the program and the results to be attained.

c. The commission may terminate any and all incentives whenever circumstances or conditions warrant such termination.

IV. Planning Considerations

A. Forecast

1. The utility shall develop a range of forecasts of the amount of energy consumers will need over the planning horizon. It shall develop multiple forecasts that are necessary or appropriate in the development of its integrated resource plan. Among the forecasts to be considered are the base case forecast (a forecast based on the most likely assumptions), a high-growth forecast, and a low-growth forecast.

2. Each forecast shall identify the significant demand and use determinants; describe the data, the sources of the data, the assumptions (including assumptions about energy policies and initiatives, fuel prices, energy prices, economic conditions, demographics, population growth, technological improvements, and end-use), and the analysis upon which the forecast is based; indicate the relative sensitivity of the forecast result to changes in assumptions and varying conditions; and describe the procedures, methodologies, and models used in the forecast, together with the rationale underlying the use of such procedures, methodologies, and models.

3. Among the data to be considered are historical data on energy sales, peak demand, system load factor, system peaks, and such other data of sufficient duration to provide a reasonable basis for the utility's estimates of future demand.

4. As feasible and appropriate, the forecast shall be by the system as a whole and by customer classes.

5. The utility shall use all reasonable methodologies in forecasting, including, as practicable and economically feasible, the disaggregated end-use methodology.

B. Objectives

1. The ultimate objective of a utility's integrated resource plan is meeting the energy needs of the utility's consumers over the ensuing 20 years in a manner that comports with state and county environmental, health, and safety laws (including any applicable renewable portfolio standards) and considers and analyzes any established energy policies and initiatives in effect at that time.

2. The utility may specify any other utility-specific objective that it seeks to achieve through its integrated resource plan. For example, given the parameter of the State goal of less dependence on imported oil, the utility may set as an objective the achievement of lowering to a specified level the use of imported oil.

3. The commission may specify other objectives for the utility. Such specifications, if any, shall be included in the order opening docket for integrated resource planning at the commencement of each planning cycle.

C. Effectiveness Measures

1. The utility shall specify the measures by which attainment of the objective or objectives is to be determined.

2. Where direct, quantifiable measures are not available, the utility may utilize proxy measures.

D. Resource Options

1. In the development of its integrated resource plan, the utility shall consider all feasible resource options appropriate to Hawaii and available within the years encompassed by the integrated resource planning horizon to meet the stated objectives.

2. The utility shall include among the options the supply-side and demand-side resources or mixes of options currently in use, promoted, planned, or programmed for implementation by the utility.

3. Supply-side and demand-side resource options include those resources that are or may be supplied by persons other than the utility.

4. The utility shall initially identify all possible supply-side and demand-side resource options. The utility may, upon review, screen out those options that are clearly infeasible. An option may be deemed infeasible where the option's life cycle costs clearly outweigh its benefits or effectiveness under both societal cost-benefit and utility cost-benefit assessments. The utility, with the advice of the advisory groups, may establish such other criteria for screening out clearly infeasible options.

E. Data Collection

1. For each feasible resource option, the utility shall determine its life cycle costs and benefits and its potential level of achievement of objectives. The utility shall identify the option's total costs and benefits--the costs to the utility and its ratepayers and the indirect, including external (spillover), costs and benefits. External costs and benefits include the cost and benefit impact on the environment, people's lifestyle and culture, and the State's economy.

2. To the extent helpful in analysis, the utility shall distinguish between fixed costs and variable costs and between sunk costs and incremental costs; and the utility shall identify any opportunity costs.

3. The costs and benefits shall, to the extent possible and feasible, be (a) quantified, and (b) expressed in dollar terms. When it is neither possible nor feasible to quantify any cost or benefit, such cost or benefit shall be qualitatively measured. The methodology used in quantifying or in qualitatively stating costs and benefits shall be detailed.

F. Assumptions; Risks; Uncertainties

1. The utility shall identify the assumptions underlying any resource option or the cost or benefit of any option or any analysis performed.

2. The utility shall also identify the risks and uncertainties associated with each resource option.

3. The utility shall further identity any technological limitations, infrastructural constraints, legal and governmental policy requirements, and other constraints that impact on any option or the utility's analysis.

G. Models

1. The utility may utilize any reasonable model or models in comparing resource options and otherwise in analyzing the relative values of the various options or combinations of options.

2. Each model used must be fully described and documented.

H. Analyses

1. The utility shall conduct cost-benefit and cost-effectiveness analyses to compare and weigh the various options and various alternative mixes of options. Alternative mixes of options include variously integrated supply-side and demand-side programs.

2. The utility shall conduct such analyses from varying perspectives, including the utility cost perspective, the ratepayer impact perspective, the participant impact perspective, the total resource cost perspective, and the societal cost perspective.

3. The utility shall analyze all options on a consistent and comparable basis. It shall give the costs, effectiveness, and benefits of demand-side management options consideration equal to that given to the costs, effectiveness, and benefits of supply-side options. The utility may use any reasonable and appropriate means to assure that such equal consideration is given.

4. The utility shall compare the options on the present value basis. For this purpose, the utility shall discount the estimated annual costs (and benefits, as appropriate) at an appropriate rate. The utility shall fully explain the rationale for its choice of the discount rate.

5. The utility may rank, as appropriate, the various options and mixes of options upon such reasonable criterion as it may establish with the advice of its advisory groups.

I. Resource Optimization.

1. Based on its analyses, the utility shall select those resource options or mix of resource options that achieve that level of effectiveness or that level of benefits specified in the objectives at the lowest reasonable cost. The utility shall also identify those resource options or mix of resource options that achieve the highest level of effectiveness or level of benefits at various levels of cost.

   a. The options or mix of options shall be selected in a fashion as to achieve an integration of supply-side and demand-side options.

   b. The selection of options or mix of options constitutes the utility's integrated resource plan.

2. The utility shall develop a number of alternative plans considering differing energy policies and initiatives, each representing optimization from a differing perspective, including the perspective of the utility, the ratepayers, the non-participant, and society. It shall also develop alternate plans to meet the needs identified by each demand forecast.

3. For each plan, the utility shall identify the revenue requirements on a present value and annual basis. It shall note the risks and uncertainties associated with the plan. It shall describe the plan's impact on rates, consumer energy use, consumer bills, and the utility system. It shall also describe the plan's impact on external

elements--the environment, people's lifestyle and culture, the State's economy, and society in general.

4. The utility shall rank the various plans, based on such criterion as it may establish with the advice of its advisory groups. The utility shall designate one of these plans as its preferred plan and submit to the commission the preferred plan as its integrated resource plan.

J. Sensitivity Analysis

The utility shall subject its selection of resource options to sensitivity analysis by altering assumptions and other parameters.

V. Pilot Demand-side Management Programs

A. Purposes

1. A purpose of piloting demand-side management programs is to ascertain whether a given program, not yet proven in Hawaii, is cost-effective--whether it will have the penetration and will achieve accomplishment of the utility's objectives as originally believed.

2. A second purpose of piloting demand-side management programs is to determine whether the program design and configuration (including how it is managed and promoted) are such as to permit implementation of the program as efficiently and effectively as desired.

B. Utility Pilot Programs

1. A utility may implement on a full-scale basis (without pilot testing) any demand-side management program that has been proven cost effective as a result of a full-scale or pilot implementation of the program in another comparable utility service territory or as a result of pilot testing by a utility in Hawaii. In all other case, the utility shall pilot test a demand-side management program before implementing it on a full-scale basis.

2. Each utility shall develop appropriate pilot demand-side management programs for implementation without awaiting commission approval on its initial integrated resource plan. For each program, the utility shall clearly articulate the parameters of the program, the objectives to be attained by the program, the expected level of achievement of the objectives, the measures by which the attainment of the objectives is to be assessed, the data to be gathered to assist in the evaluation of the pilot program, and the expenditure it proposes to make by appropriate cost components.

3. All proposed pilot demand-side management programs are subject to commission approval.

# EXHIBIT 1
# (Blacklined)

PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

A FRAMEWORK FOR INTEGRATED RESOURCE PLANNING
March 9, 1992
REVISED: December 21, 2009

I. Definitions

Unless otherwise clear from the context, as used in this framework:

"Action plan" or "5-year action plan" means an implementation plan included as part of the integrated resource plan that provides a detailed action plan covering the first five years of the 20-year horizon.

"Capital investment costs" means costs associated with capital improvements, including planning, the acquisition and development of land, the design and construction of new facilities, the making of renovations or additions to existing facilities, the construction of built-in equipment, and consultant and staff services in planning, design, and construction. Capital investment costs for a program are the sum of the program's capital improvement project costs.

"Commission" means the State of Hawaii Public Utilities Commission.

"Consumer Advocate" means the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs.

"Costs" means the full and life cycle costs of a resource option.

"Cost categories" means the major types of costs and includes research and development costs, investment costs, and operating and maintenance costs.

"Cost elements" means the major subdivision of a cost category. For the category "investment costs", it includes capital investment costs, initial equipment and furnishing costs, and initial education and training costs. For the categories "research and development costs" and "operating and maintenance costs", it includes labor costs, fuel costs, materials and supplies costs, and other current expenses.



EXHIBIT 1

"Demand-side management ~~programs~~" means a program ~~designed~~or programs implemented to influence utility customer uses of energy to produce desired changes in ~~demand.~~energy requirements to the utility or as a whole. It includes conservation, load management, ~~and~~ efficiency ~~resource programs~~improvements and renewable resources.

"Design costs" means the costs related to the preparation of architectural drawings for capital improvements, from schematics to final construction drawings.

"Effectiveness measure" means the criterion for measuring the degree to which the objective sought is attained.

"Efficiency" means program and program results that decrease energy requirements and improve the capability of energy resources.

"External benefits" means external economies; benefits to or positive impacts on the activities of entities outside the utility and its ratepayers. External benefits include environmental, cultural, and general economic benefits.

"External costs" means external diseconomies; costs to or negative impacts on the activities of entities outside the utility and its ratepayers. External costs include environmental, cultural, and general economic costs.

"Full cost" means the total cost of a program, system, or capability, including research and development costs, capital investment costs, and operating and maintenance costs.

"Initiatives" means principles, programs or practices set forth by the utility, administrative action, regulation or public common interest in furtherance of specific energy objectives.

"Investment costs" means the one-time costs beyond the development phase to introduce a new system, program, or capability into use. It includes capital investment costs, initial equipment acquisition costs, and initial education and training costs.

"Life cycle costs" means the total cost impact over the life of the program. Life cycle costs include research and development cost, investment cost (the one-time cost of instituting the program)—, and operating and maintenance (O&M) cost.

"Objective" means a statement of the end result, product, or condition desired, for the accomplishment of which a course of action is taken.

"Operating and maintenance costs" or "O&M costs" means recurring costs of operating, supporting, and maintaining authorized programs, including costs for labor, fuel, materials and supplies, and other current expenses.

"Participant impact" means the impact on participants in a demand-side management program in terms of the costs borne and the direct, economic benefits received by the participants.

"Plan" or "integrated resource plan" means the integrated resource plan resulting from this framework, in which one component is the action plan.

"Program" means a resource and activity, or combination of resources and activities, designed to achieve an objective or objectives.

"Program size" means the magnitude of a program, such as the number of persons serviced by the program, the amount of a commodity, the time delays, the volume of service in relation to population or area, etc.

"Program size indicator" means a measure to indicate the magnitude of a program.

"Ratepayer impact" means the impact on a ratepayer in terms of ~~the~~ utility rates ~~that ratepayers must pay~~.

"Research and development costs" means costs associated with the development of a new system, program, or capability to the point where it is ready for introduction into operational use. It includes the costs of prototypes and the testing of the prototypes. It includes the costs of research, planning, and testing and evaluation.

"Resource" means a facility, equipment, technology, measure or action that will contribute to energy availability and deliverability.

"Scenario" means an event, factor, condition or circumstance for which the outcome: (1) is uncertain, (2) is beyond the reasonable control of the utility, (3) could have a significant impact on the utility's planning depending on the range of plausible futures, and (4) should as a result be specifically identified for consideration by the utility of

the range of plausible futures as part of its planning and the development of its action plan.

"Societal cost" means the total direct and indirect costs to society as a whole. Society includes the utility and, in a demand-side management program, the participants.

"Societal cost-benefit assessment" means an assessment of the costs and benefits to society as a whole.

"Statute" means a provision of the then-current Hawaii Revised Statutes, the body of law governing the State of Hawaii, as may be amended or superceded from time to time.

"Supply-side programs" means programs designed to increase the availability and supply ~~power. It includes~~ of energy, including renewable energy.

"Total resource cost" means the total cost of a demand-side management program, including both the utility and participants' costs.

"Utility cost" means the cost to the utility (including ratepayers), excluding costs incurred by participants in a demand-side management program.

"Utility cost-benefit assessment" means an assessment of the costs and benefits to the utility.

## II. Introduction

### A. Goal of Integrated Resource Planning

The goal of integrated resource planning is the identification of the resources or the mix of resources for meeting near and long term consumer energy needs in an efficient and reliable manner at the lowest reasonable cost under the circumstances and in a manner that reasonably furthers the objectives set forth in Section IV.B of this framework.

### B. Governing Principles (Statements of Policy)

1. The development of integrated resource plans is the responsibility of each utility.

2. Integrated resource plans shall comport with applicable state and county environmental, health,

and safety laws ~~and~~(including any applicable renewable portfolio standards); formally adopted state and county plans~~.~~; and other applicable administrative and regulatory requirements.

3. Integrated resource plans shall be developed upon consideration and analyses of any established energy policies and initiatives in effect at that time.

4. Integrated resource plans shall be developed upon consideration and analyses of the costs, effectiveness, and benefits of all appropriate, available, and feasible supply-side and demand-side options.

5. Integrated resource plans shall give consideration to the plan's~~'~~ impacts upon the utility's consumers, the environment, culture, community lifestyles, the State's economy, and society.

6. Integrated resource plans shall take into consideration the utility's financial integrity, available sources of capital, ownership structure, size, ~~and~~ physical capability and objectives for the adequacy and reliability of energy services.

7. Integrated resource planning shall be an open public process. Opportunities shall be provided for participation by the public and governmental agencies in the development and in commission review of integrated resource plans.

8. The utility is entitled to recover all appropriate and reasonable integrated resource planning and implementation costs. ~~In addition, existing disincentives should be removed and, as appropriate, incentives should be established to encourage and reward aggressive utility pursuit of demand-side management programs. Incentive mechanisms should be structured so that investments in suitable and effective demand-side management programs are at least as attractive to the utility as investments in supply-side options.~~

9. Integrated resource planning shall consider identified scenarios and its range of plausible futures in developing the utility's action plan.

C. Utility's Responsibility

1. Each utility is responsible for developing a plan or plans for meeting the energy needs of its customers.

2. The utility shall prepare and submit to the commission ~~for commission approval~~ the utility's integrated resource plan at the time or times specified in this framework~~ the utility's integrated resource plan and program implementation schedule~~. This integrated resource plan shall include a proposed action plan as described in this framework for commission approval.

3. The utility shall execute the commission approved ~~plan in accordance with~~action plan once approved by the ~~program implementation schedule~~commission.

4. The utility shall annually examine and evaluate its achievements in attaining its objectives.

D. Commission's Responsibility

1. The commission's responsibility, in general, is to determine whether, under the circumstances, the utility's plan represents a reasonable course for meeting the energy needs of the utility~~'s customers and~~, is in the public interest, and consistent with the goals and objectives of integrated resource planning as set forth in this framework.

2. Specifically, the commission will review the utility's integrated resource plan, its ~~program~~action plan (which includes an implementation schedule), and its evaluations, and generally monitor the utility's implementation of its action plan. Upon review, the commission may approve, reject, approve in part and reject in part the action plan, or require modifications of the utility's integrated resource plan and ~~program implementation schedule~~/or action plan, as applicable.

3. The parties shall cooperate in expediting commission hearings on the utility's integrated resource plan and ~~program implementation schedule.~~action plan. To the extent possible, the commission will hear the utility's application for

approval of its ~~integrated resource~~action plan within six months of the plan's filing, and the commission will render its decision shortly thereafter.

E. Consumer Advocate's Responsibility

1. The ~~director of commerce and consume affairs, as the~~ consumer advocate ~~and through the division of consumer advocacy,~~ has the statutory responsibility to represent, protect, and advance the interests of consumers of utility services. The consumer advocate, therefore, has the duty to ensure that the utility's integrated resource plan promotes the interest of utility consumers.

2. The consumer advocate shall be a party to each utility's integrated resource planning docket and a member of any and all advisory groups established by the utility in the development of its integrated resource plan. The consumer advocate shall also participate in all public hearing and other sessions held in furtherance of the utility's efforts in integrated resource planning.

III. The Planning Context

A. Major Steps

There are four major steps in the integrated resource planning process: planning, programming, implementation, and evaluation.

1. Planning is that process in which the utility's needs are identified, including any transmission or generation needs; the utility's objectives are formulated; measures by which effectiveness in attaining objectives are specified; the alternatives by which the objectives may be attained are identified; the full cost, effectiveness, and benefit implications of each alternative are determined; the assumptions, risks, and uncertainties are clarified; the scenarios identified; the cost, effectiveness, and benefit tradeoffs of the alternatives are made and how these alternatives are impacted by the range of plausible futures from each identified scenario; the resource options are chosen; and program choices are

subjected to sensitivity analyses. The product of this process is the utility's integrated resource plan. The planning horizon for utility integrated resource plans is 20 years. Unless otherwise ordered by the commission, the 20-year period begins on January 1 following the completion of the plan.

2. Programming is that process by which the utility's long-range resource ~~program~~ plans are scheduled for implementation over a five-year period through the development of an action plan. In this process, a determination is made as to the options selected to be implemented; the order in which the selected ~~program~~ options are to be implemented; the phases or steps ~~in~~ by which each ~~program~~option is to be implemented; the expected target group and the annual size of the target group or annual level of penetration of demand-side management programs; the ~~expected annual~~ supply-side ~~capacity additions~~programs; the expected ~~annual~~ levels of effectiveness in achieving integrated resource planning objectives; and the annual expenditures, by cost categories and cost elements, required to be made by the utility to support implementation of the ~~programs.~~plan. The result of this process is ~~a program implementation schedule or~~the action plan. The ~~schedule represents~~action plan provides an implementation strategy ~~or~~and timetable/schedule for ~~program~~resource plan implementation.

3. Implementation is that process by which the resource ~~program~~ options to be implemented are acquired and instituted in accordance with the utility's ~~program implementation schedule.~~action plan.

4. Evaluation is that process by which the results of the resource program options are measured in light of the utility's objectives. In this process the actual costs, effectiveness, and benefits of the resource options and the attainment of the utility's objectives are measured against those that were projected in the planning and programming stages of the planning cycle.

B. The Planning Cycle

~~1. Each utility shall complete its initial integrated resource plan and implementation schedule and submit them for commission approval by the following dates:~~

~~a. Kauai Electric Division of Citizens Utilities Company: May 1, 1993.~~

~~b. Gasco, Inc.: May 1, 1993.~~

~~c. Hawaiian Electric Company, Inc.: July 1, 1993.~~

~~d. Hawaii Electric Light Company, Inc.: September 1, 1993.~~

~~e. Maui Electric Company, Limited: November 1, 1993.~~

1. Each utility shall prepare an integrated resource plan in accordance with dates established by the commission in the initiating docket. The plan shall include the submittal of the 5-year action plan for commission approval.

2. Each utility shall conduct a major review of its integrated resource plan every three years. In such a review, a new 20-year time horizon for the plan and a new 5-year time horizon for the action plan shall be adopted, the planning process repeated, and the utility's resource programs re-analyzed fully. ~~The first major review, following the submission of each utility's initial integrated resource plan to the commission in 1993, shall commence in 1995 so as to result in the submission to the commission of a new (second) integrated resource plan and implementation schedule in 1996 as follows:~~

~~f. Hawaiian Electric Company, Inc.: January 1, 1996.~~

~~g. Kauai Electric Division of Citizens Utilities Company: April 1, 1996.~~

~~h. Gasco, Inc.: April 1, 1996.~~



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~~i. Hawaii Electric Light Company, Inc.: June 1, 1996.~~

~~j. Maui Electric Company, Limited: October 1, 1996.~~

~~Thereafter, each utility shall conduct a major review, resulting in the submission to the commission of a new integrated resource plan and implementation schedule on the same day every three years.~~

C. The Docket

1. Each planning cycle for a utility will commence with the issuance of an order by the commission opening a docket for integrated resource planning.

2. The docket will be maintained throughout the planning cycle for the filing of documents, the resolution of procedural disputes and other purposes related to the utility's integrated resource plan.

3. Within 30 days after the opening of the docket, the utility shall prepare, in consultation with the consumer advocate, and file with the commission a schedule that it intends to follow in the development of its integrated resource plan. The schedule may be amended upon the formation of an advisory group or groups and thereafter as appropriate.

4. The utility shall complete its integrated resource plan and ~~program implementation schedule~~associated action plan within one year of the commencement of the planning cycle.

D. Submissions to the Commission

1. The utility shall submit its integrated resource plan as follows.

   a. The utility shall include in its integrated resource plan a full and detailed description of (1) the needs identified; (2) the forecasts made; (3) ~~the~~ any assumptions underlying the forecasts; (4) the objectives to be attained by the plan; (5) the measures by which

achievement of the objectives is to be assessed; (6) the resource options or mix of options included in the plan; (7) the assumptions and the basis of the assumptions underlying the plan; (8) the risks and uncertainties associated with the plan~~;~~ including the identified scenarios; (9) the energy policies, initiatives and requirements considered; (10) the revenue requirements on a present value basis and on an annual basis; (~~10~~11) the expected impact of the plan on demand; (~~11~~12) the expected achievement of objectives; (~~12~~13) the potential impact of the plan on rates, consumer bills, and consumer energy use; (~~13~~14) the plan's external costs and benefits; and (~~14~~15) the relative sensitivity of the plan to changes in assumptions and other conditions. The items enumerated should, where appropriate, be described for the plan as a whole and for each of the resources or mix of resources included in the plan.

b. The utility shall file with the integrated resource plan a full and detailed description of the analysis or analyses upon which the plan is based. The utility shall fully describe, among other things, (1) the data (and the source of the data) upon which needs were identified and forecasts made; (2) the methodologies used in forecasting; (3) how the plan furthers, accomplishes and complies with applicable energy policies, initiatives and requirements; (4) how the range of plausible futures considered for each identified scenario impacted the utility's planning; (5) the various objectives and measures of assessing attainment of objectives that were considered, but rejected, and the reasons or rejecting any objective or measure; (46) the resource options that were identified, but screened out and not considered and the reasons for the rejection of any resource option; (~~5) the~~ 7) any assumptions and the basis of the assumptions~~,~~; (8) the risks and uncertainties, the costs, effectiveness, and benefits (including external costs and benefits) and the impacts on demand, rates, consumer bills, and consumer energy uses

associated with each resource option or mix of options that was considered; (~~6~~9) the comparisons and the cost, effectiveness, and benefit tradeoffs and optimization made of the options and mixes of options; (~~7~~10) the models used in the comparisons, tradeoffs, and optimization; (~~8~~11) the criteria used in any ranking of options and mixes of options; and (~~9~~12) the sensitivity analyses conducted for the options and mixes of options.

c. The utility shall also file with the integrated resource plan a description of all alternate plans that the utility ~~developed~~evaluated, the ranking it accorded the various plans, the criteria used in such ranking (including any criteria developed as a result of the identified scenarios), and a full and detailed explanation of the analysis upon which it ~~decided~~selected its preferred integrated resource plan.

d. The submissions should be simply and clearly written and, to the extent possible, in non-technical language. Charts, graphs, and other visual devices may be utilized to aid in understanding ~~its~~the plan, the action plan and the analyses made by the utility. The utility shall provide an executive summary of the plan, the action plan, and of the analyses and appropriately index its submissions.

2. The utility shall submit its ~~program implementation schedule~~ action plan as follows.

a. The utility shall include in the ~~schedule~~action plan by year: an implementation schedule that shows the programs or phases of programs to be implemented in each of the ~~year~~5 years of the action plan; the expected level of achievement of objectives; the expected size of the target group or level of penetration of any demand-side management ~~program~~activity; the expected supply-side ~~capacity addition~~resource additions; the expenditures, by cost categories and cost elements, required to be made by the utility to support implementation of each ~~program~~resource option or phase of ~~a program~~such option.

b. The utility shall file with its ~~program implementation schedule~~ action plan a full and detailed description of the analysis upon which the implementation schedule is based. The utility shall fully describe, among other things:

(1) The steps required to realize and implement the supply-side and demand-side ~~resource programs~~resources included in the schedule.

(2) How the target groups were selected and how program penetration for demand-side management programs and the expected levels of effectiveness in achieving integrated resource planning objectives were derived.

(3) The expected annual effects of ~~program~~ implementation on the utility and its system, the ratepayers, the environment, public health and safety, cultural interests, the state economy, and society in general.

c. The ~~program implementation schedule~~action plan shall also be accompanied by the utility's proposals on cost and revenue loss recovery and incentives, as appropriate.

3. The utility shall submit its annual evaluation as follows.

a. The utility shall include in its annual evaluation, an assessment of the continuing validity of the forecasts and assumptions upon which its integrated resource plan and its ~~program implementation schedule~~action plan were fashioned.

b. The utility shall also include for each program or phase of program included in the ~~program implementation schedule~~action plan for the immediately preceding year a comparison of:

(1) The expenditures anticipated to be made and the expenditures actually made, by cost categories and cost elements.

(2) The level of achievement of objectives anticipated and the level actually attained.

(3) The target group size or level of penetration anticipated for each demand-side management program and the size or level actually realized.

(4) The effects of program implementation anticipated and the effects actually experienced.

c. The utility shall provide an assessment of all substantial differences between original estimates and actual experience and of what the actual experience portends for the future.

d. Together with its annual evaluation, the utility shall submit a revised ~~program implementation~~or updated action plan that drops the immediately preceding year from the schedule and includes a new year. The ~~program implementation~~action plan must always reflect a five-year time span.

4. The utility may at any time, as a result of its annual evaluation or change in conditions, circumstances, or assumptions, revise or amend its integrated resource plan or its ~~program implementation schedule.~~action plan. All revisions and amendments must conform to the appropriate requirements of this part D.

5. The utility may, at any time, request a waiver from the commission from any or all of the provisions of this framework. A utility seeking such a waiver shall have the burden of showing, to the commission's satisfaction, that compliance with this framework, or any of its provisions, is impossible, impractical, inappropriate, economically infeasible, or otherwise not in the public interest. Any waiver that a utility may seek should be sought at the earliest feasible and possible moment, at least not later than the moment it becomes apparent that the utility does not intend to comply with a particular framework requirement.

6. The integrated resource plan and ~~program implementation schedule~~ resulting action plan

approved by the commission shall ~~govern~~provide a basis for all utility expenditure for capital projects, purchased power, and demand-side management programs. Notwithstanding approval of ~~an integrated resource~~the action plan: (a) an expenditure for any capital project ~~in excess of $500,000~~ shall be submitted to the commission for review ~~as provided in~~ to the extent required under paragraph 2.3.g.2 of General Order No.7, as amended or may be amended from time to time; and (b) no obligation under any purchased power contract shall be undertaken and no expenditure for any specific demand-side management program included in an integrated resource plan or ~~a program implementation schedule~~action plan shall be made without prior commission approval. All power purchases from qualifying facilities and independent power producers shall be subject to any applicable statute and commission rules.

E. Public Participation

To maximize public participation in each utility's integrated resource planning process, opportunities for such participation shall be provided through advisory groups to the utility, public hearings, and interventions in formal proceedings before the commission.

1. Advisory groups

a. The utility shall organize in each county in which the utility provides service or conducts utility business a group or groups of representatives of public and private entities to advise the utility in the development of its integrated resource plan. A separate advisory group may be formed for each stage of the planning process, as appropriate. The utility shall chair each advisory group.

b. The public and private entities includable in an advisory group are those that represent interests that are affected by the utility's integrated resource plan and that can provide significant perspective or useful expertise in the development of the plan. These entities include state and county agencies and environmental, cultural, business, and community interest groups. An advisory group

should be representative of as broad a spectrum of interests as possible, subject to the limitation that the interests represented should not be so numerous as to make deliberations as a group unwieldy.

c. For a member-owned utility cooperative, the advisory group shall include at least one representative of the membership's Board of Directors, or a representative of the membership selected by the Board of Directors.

d. The utility shall consider the input of each advisory group; but the utility is not bound to follow the advice of any advisory group.

e. All data reasonably necessary for an advisory group to participate in the utility's integrated resource planning process shall be provided by the utility, subject to the need to protect the confidentiality of customer-specific and proprietary information.

f. The use by the advisory groups of the collaborative process is encouraged to arrive at a consensus on issues.

g. All reasonable out-of-pocket costs incurred by participants in advisory groups (other than governmental agencies) shall be paid for by the utility, subject to recovery as part of the utility's cost of integrated resource planning.

2. Public hearings

a. The utility is encouraged to conduct public hearings or provide public forums at the various, discrete phases of the planning process for the purpose of securing the input of those members of the public who are not otherwise represented ~~by entities constituting advisory groups~~.

b. Upon the filing of requests for approval of ~~an integrated resource~~the action plan or its associated projects, the commission may, and it shall where required by statute, conduct public hearings for the purpose of securing public input on the utility's proposal. The

commission may also conduct such informal public meetings as it deems advisable.

3. Intervention

a. Upon the filing of its integrated resource plan, the utility shall cause to be published in a newspaper of general circulation in the State a notice informing the general public that the utility has filed its proposed integrated resource plan ~~with~~and has sought approval of its 5-year action plan contained therein from the commission~~ for the commission's approval~~.

b. To encourage public awareness of the filing of a proposed utility plan, a copy of the ~~proposed~~entire plan and the supporting analysis shall be available for public review at the commission's office and at the office of the commission's representative in the county serviced by the utility. In the case of Maui Electric Company, Limited, the utility shall also make a copy of its proposed plan and the supporting analysis available at a public library on each of the islands of Molokai and Lanai. In the case of Hawaii Electric Light Company, Inc., the utility shall also make a copy of its proposed plan and the supporting analysis available at a public library in Kona. Each utility shall note the availability of the documents for public review at these locations in its published notice. The utility shall make copies of the executive summary of the plan and the analysis available to the general public at no cost, except the cost of duplication.

c. Applications to intervene or to participate without intervention in any proceeding in which a utility seeks commission approval of the 5-year action plan contained within its integrated resource plan are subject to the rules prescribed in ~~part IV of the commission's General Order No.1~~ (Hawaii Administrative Rules, Chapter 6-61 (Rules of Practice and Procedure before the Public Utilities Commission); except that such applications may be filed with the commission



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not later than 20 days after the publication by the utility of a notice informing the general public of the filing of the utility's application for commission approval of its integrated resource plan, notwithstanding the opening of the docket before such publication.

d. A person's status as an intervenor or participant shall continue through the life of the docket, unless the person voluntarily withdraws or is dismissed as an intervenor or participant by the commission for cause.

4. Intervenor funding

a. Upon the issuance of the commission's final order on a utility's 5-year action plan contained within its integrated resource plan or any amendment ~~to the plan~~thereto, the commission may grant an intervenor or participant (other than a governmental agency, a for-profit entity, and an association of for-profit entities) recovery of all or part of the intervenor's or participant's direct out-of-pocket costs reasonably and necessarily incurred in intervention or participation. Any recovery and the amount of such recovery are in the sole discretion of the commission.

b. To be eligible for such recovery:

(1) The intervenor or participant must show a need for financial assistance;

(2) The intervenor or participant must demonstrate that it has made reasonable efforts to secure funding elsewhere, without success;

(3) The intervenor or participant must maintain accurate and meaningful books of account on the expenditures incurred; and

(4) The commission must find that the intervenor or participant made a substantial contribution in assisting the commission in arriving at its decision.

c. The intervenor's or participant's books of account are subject to audit, and the commission may impose other requirements in any specific case.

d. Such allowance may be made only upon the application of the intervenor or participant within 20 days after the issuance of the commission's final order, together with justification and documented proof of the costs incurred.

e. The costs of intervenor funding shall be paid for by the utility, subject to recovery as part of its costs of integrated resource planning.

F. Cost Recovery and Incentives

1. The utility is entitled to recover its integrated resource planning and implementation costs that are reasonably incurred, including the costs of planning and implementing pilot and full-scale demand-side management programs.

a. The cost recovery may be had through the following mechanisms:

(1) Base rate recovery--the inclusion of costs in the utility's base rate during each rate case. A balancing account may be appropriate ~~in this instance~~ to reconcile, with interest, the utility's recovered expenditures with its actual expenditures. It may also be appropriate to consider the utility's under-expenditure of authorized cost to limit recovery, unless program objectives are met or exceeded.

(2) Adjustment clause--the recovery of costs incurred between rate cases in excess of the baseline integrated resource planning-related costs that are included in the utility's base rates.

(3) Ratebasing--the inclusion of costs that are capital in character (i.e., expenditures considered to produce

long-term savings or benefits, such as appliance rebates, loans, etc.), with accumulated AFUDC, in the utility's rate base at its next rate case. The costs are to be amortized over a period set by the commission.

(4) Escrow accounting--the accumulation, with interest, of costs, not capital in character, incurred between rate cases and not otherwise recovered through the utility's base rates, adjustment clause, or rate base, in a deferred account, to be amortized over a period set by the commission.

b. The commission will determine the appropriate mechanism for the recovery of costs associated with demand-side management programs when specific demand-side management programs are submitted for commission approval. Cost recovery for other integrated resource programs generally will be addressed in each utility's rate case.

2. Under appropriate circumstances, the utility may recover the net loss in revenues sustained by the utility as a result of successful implementation of full-scale demand-side management programs sponsored or instituted by the utility.

a. The net revenue loss is the revenue lost less the variable fuel and operating expenses saved by the utility as a result of not having to generate the unsold energy.

b. The commission will determine whether the utility will be permitted to recover the net revenues lost as a result of successful implementation of a full-scale demand-side management program and the form of the recovery mechanism. The determination will be made when an application is filed for approval of the demand-side management program.

3. Under appropriate circumstances, the commission may provide the utility with incentives to encourage participation in and promotion of full-scale demand-side management programs.

a. The incentives may take any form approved by the commission. Among the possible forms are:

(1) Granting the utility a percentage share of the gross or net benefits attributable to demand-side management programs (shared savings).

(2) Granting the utility a percentage of certain specific expenditures it makes in demand-side management programs (mark-up).

(3) Allowing the utility to earn a greater than normal return on equity for ratebased demand-side management expenditures (rate base bonus).

(4) Adjusting the utility's overall return on equity in response to quantitative or qualitative evaluation of demand-side management program performance (e.g., adjusting the return upward for achieving a certain level of kilowatt or kilowatt-hour savings) (ROE adjustment).

b. The commission will determine whether the utility will be provided with incentives and the form of such incentives, if any, when specific demand-side management programs are submitted for approval. The utility may propose incentive forms for a particular program, based on the particular attributes of the program and the results to be attained.

c. The commission may terminate any and all incentives whenever circumstances or conditions warrant such termination.

IV. Planning Considerations

A. Forecast

1. The utility shall develop a range of forecasts of the amount of energy consumers will need over the planning horizon. It shall develop multiple forecasts ~~for multiple scenarios~~ that are necessary or appropriate in the development of its integrated resource plan. Among the ~~scenarios~~forecasts to be

considered are the base case ~~scenario~~ forecast (a ~~scenario~~ forecast based on the most likely assumptions), a high-growth ~~scenario~~forecast, and a low-growth ~~scenario~~forecast.

2. Each forecast shall identify the significant demand and use determinants; describe the data, the sources of the data, the assumptions (including assumptions about energy policies and initiatives, fuel prices, energy prices, economic conditions, demographics, population growth, technological improvements, and end-use), and the analysis upon which the forecast is based; indicate the relative sensitivity of the forecast result to changes in assumptions and varying conditions; and describe the procedures, methodologies, and models used in the forecast, together with the rationale underlying the use of such procedures, methodologies, and models.

3. Among the data to be considered are historical data on energy sales, peak demand, system load factor, system peaks, and such other data of sufficient duration to provide a reasonable basis for the utility's estimates of future demand.

4. As feasible and appropriate, the forecast shall be by the system as a whole and by customer classes.

5. The utility shall use all reasonable methodologies in forecasting, including, as practicable and economically feasible, the disaggregated end-use methodology.

B. Objectives

1. The ultimate objective of a utility's integrated resource plan is meeting the energy needs of the utility's ~~customers~~consumers over the ensuing 20 years in a manner that comports with state and county environmental, health, and safety laws (including any applicable renewable portfolio standards) and considers and analyzes any established energy policies and initiatives in effect at that time.

2. The utility may specify any other utility-specific objective that it seeks to achieve through its integrated resource plan. For example, given the parameter of the State goal of less dependence on

imported oil, the utility may set as an objective the achievement of lowering to a specified level the use of imported oil.

3. The commission may specify other objectives for the utility. Such specifications, if any, shall be included in the order opening docket for integrated resource planning at the commencement of each planning cycle.

C. Effectiveness Measures

1. The utility shall specify the measures ~~bu~~by which attainment of the objective or objectives is to be determined.

2. Where direct, quantifiable measures are not available, the utility may utilize proxy measures.

D. Resource Options

1. In the development of its integrated resource plan, the utility shall consider all feasible ~~supply-side and demand-side~~ resource options appropriate to Hawaii and available within the years encompassed by the integrated resource planning horizon to meet the stated objectives.

2. The utility shall include among the options the supply-side and demand-side resources or mixes of options currently in use, promoted, planned, or programmed for implementation by the utility.

3. Supply-side and demand-side resource options include those resources that are or may be supplied by persons other than the utility.

4. The utility shall initially identify all possible supply-side and demand-side resource options. The utility may, upon review, screen out those options that are clearly infeasible. An option may be deemed infeasible where the option's life cycle costs clearly outweigh its benefits or effectiveness under both societal cost-benefit and utility cost-benefit assessments. The utility, with the advice of the advisory groups, may establish such other criteria for screening out clearly infeasible options.

E. Data Collection

1. For each feasible resource option, the utility shall determine its life cycle costs and benefits and its potential level of achievement of objectives. The utility shall identify the option's total costs and benefits--the costs to the utility and its ratepayers and the indirect, including external (spillover), costs and benefits. External costs and benefits include the cost and benefit impact on the environment, people's lifestyle and culture, and the State's economy.

2. To the extent helpful in analysis, the utility shall distinguish between fixed costs and variable costs and between sunk costs and incremental costs; and the utility shall identify any opportunity costs.

3. The costs and benefits shall, to the extent possible and feasible, be (a) quantified, and (b) expressed in dollar terms. When it is neither possible nor feasible to quantify any cost or benefit, such cost or benefit shall be qualitatively measured. The methodology used in quantifying or in qualitatively stating costs and benefits shall be detailed.

F. Assumptions; Risks; Uncertainties

1. The utility shall identify the assumptions underlying any resource option or the cost or benefit of any option or any analysis performed.

2. The utility shall also identify the risks and uncertainties associated with each resource option.

3. The utility shall further identity any technological limitations, infrastructural constraints, legal and governmental policy requirements, and other constraints that impact on any option or the utility's analysis.

G. Models

1. The utility may utilize any reasonable model or models in comparing resource options and otherwise in analyzing the relative values of the various options or combinations of options.

2. Each model used must be fully described and documented.

H. Analyses

1. The utility shall conduct cost-benefit and cost-effectiveness analyses to compare and weigh the various options and various alternative mixes of options. Alternative mixes of options include variously integrated supply-side ~~an~~and demand-side ~~management~~ programs.

2. The utility shall conduct such analyses from varying perspectives, including the utility cost perspective, the ratepayer impact perspective, the participant impact perspective, the total resource cost perspective, and the societal cost perspective.

3. The utility shall analyze all options on a consistent and comparable basis. It shall give the costs, effectiveness, and benefits of demand-side management options consideration equal to that given to the costs, effectiveness, and benefits of supply-side options. The utility may use any reasonable and appropriate means to assure that such equal consideration is given.

4. The utility shall compare the options on the present value basis. For this purpose, the utility shall discount the estimated annual costs (and benefits, as appropriate) at an appropriate rate. The utility shall fully explain the rationale for its choice of the discount rate.

5. The utility may rank, as appropriate, the various options and mixes of options upon such reasonable criterion as it may establish with the advice of its advisory groups.

I. Resource Optimization

1. Based on its analyses, the utility shall select those resource options or mix of resource options that achieve that level of effectiveness or that level of benefits specified in the objectives at the ~~least~~lowest reasonable cost. The utility shall also identify those resource options or mix of

resource options that achieve the highest level of effectiveness or level of benefits at various levels of cost.

a. The options or mix of options shall be selected in a fashion as to achieve an integration of supply-side and demand-side options.

b. The selection of options or mix of options constitutes the utility's integrated resource plan.

2. The utility shall develop a number of alternative plans considering differing energy policies and initiatives, each representing optimization from a differing perspective, including the perspective of the utility, the ratepayers, the non-participant, and society. It shall also develop alternate plans to meet the needs identified by each demand forecast ~~scenario~~.

3. For each plan, the utility shall identify the revenue requirements on a present value and annual basis. It shall note the risks and uncertainties associated with the plan. It shall ~~also~~ describe the plan's impact on rates, ~~customer~~consumer energy use, ~~customer~~consumer bills, and the utility system. It shall also describe the plan's impact on external elements--the environment, people's lifestyle and culture, the State's economy, and society in general.

4. The utility shall rank the various plans, based on such criterion as it may establish with the advice of its advisory groups. The utility shall designate one of these plans as its preferred plan and submit to the commission the preferred plan as its integrated resource plan.

J. Sensitivity Analysis

The utility shall subject its selection of resource options to sensitivity analysis by altering assumptions and other parameters.

V. Pilot Demand-side Management Programs

A. Purposes

1. A purpose of piloting demand-side management programs is to ascertain whether a given program, not yet proven in Hawaii, is cost-effective--whether it will have the penetration and will achieve accomplishment of the utility's objectives as originally believed.

2. A second purpose of piloting demand-side management programs is to determine whether the program design and configuration (including how it is managed and promoted) are such as to permit implementation of the program as efficiently and effectively as desired.

B. Utility Pilot Programs

1. A utility may implement on a full-scale basis (without pilot testing) any demand-side management program that has been proven cost effective as a result of a full-scale or pilot implementation of the program in another comparable utility service territory or as a result of pilot testing by a utility in Hawaii. In all other case, the utility shall pilot test a demand-side management program before implementing it on a full-scale basis.

2. Each utility shall develop appropriate pilot demand-side management programs for implementation without awaiting commission approval on its initial integrated resource plan. For each program, the utility shall clearly articulate the parameters of the program, the objectives to be attained by the program, the expected level of achievement of the objectives, the measures by which the attainment of the objectives is to be assessed, the data to be gathered to assist in the evaluation of the pilot program, and the expenditure it proposes to make by appropriate cost components.

3. All proposed pilot demand-side management programs are subject to commission approval.

# EXHIBIT 2

CESP:
NRRI Questions Regarding Proposed Frameworks

1) Does the proposed framework provide a reasonable process for defining the question(s) that the CESP must answer?

*Yes. KIUC believes that its proposed framework provides a reasonable process for defining any question that a CESP must or should answer. It does not prevent any utility from evaluating or developing its plans from the perspective of any question that may be related to a CESP. Instead, through the flexibility inherent in the existing IRP framework and KIUC's proposed revisions set forth in its Final Position Statement, KIUC's proposed framework provides a mechanism not only to define questions that may be of relevance or of specific importance and focus today, but also to adapt over time to also analyze questions as they may evolve or shift as the focus and objectives of the utility, the State or society in general change or evolve over time. The proposed framework specifically directs the utility not only to consider the resources or mix of resources needed to meet its near and long term consumer energy needs at the lowest reasonable cost, but to do so while ensuring that the plan: (1) comports with state and county environmental, health and safety laws (such as the Renewable Portfolio Standards set forth in HRS § 269-92, as amended), formally adopted state and county plans, and other applicable administrative and regulatory requirements (see Section II.B.2 of KIUC's proposed framework); (2) sufficiently considers and analyzes any established energy policies and initiatives in effect at that time (Section II.B.3); (3) analyzes other specific objectives that may be defined by the utility or the Commission (Section IV.B.2 and 3); (4) adequately considers the plan's impacts upon customers, the environment, culture, community lifestyles, the State's economy, and society (Sections II.B.5 and III.D.2.b(3)) and external costs and benefits (Section III.D.1.a); (5) includes an analysis and description of the various plans considered by the utility, the scenarios/uncertainties examined from a plausible futures standpoint, and to provide a ranking of the utility's plans, the criteria used in its ranking, and a full and detailed explanation of its analysis for selecting the preferred plan (Section III.D.1.b and c); (6) provides for an analysis and discussion not only of the impacts to the utility, but also an analysis and discussion from the ratepayer impact perspective, the participant impact perspective, the total resource cost perspective and the societal cost perspective (Section IV.H.2); and (7) ultimately results from a discussion and analyses of various scenarios and uncertainties to come up with a 5-year action plan (Section II.B.9).*

2) Does the proposed framework enable the Commission to meet its statutory requirements regarding the review and establishment of RPS and EEPS targets?

*Yes. There is nothing in the proposed framework that would interfere with the ability of the Commission to review and/or establish RPS and EEPS targets. To the extent the Commission is subject to any statutory requirements regarding the review, establishment or modification of RPS and EEPS targets (which targets may change over time by legislative action or otherwise), the Commission could specifically set this forth as an objective in the utility's IRP under Section IV.B of KIUC's proposed framework (which is also found in the existing IRP framework). Once the objective is identified, they create the "target" level of*

*resources that must be prescribed in order to achieve them. As an example, and for illustration purposes only, if a requirement was imposed that the Commission must ensure that a utility further increase its number of renewable-generated kilowatt-hours sold to its consumers by a certain percentage by a certain date, the Commission could establish this as an objective for the utility to comply with as part of its planning. In that case, only the resources that are realistically capable of providing this amount of renewable energy would be selected for integration into the plan. Please note, however, that to the extent the utility is subject to any statutory requirements, they are subject to these requirements whether or not they are specifically set forth or even mentioned in the framework. For example, KIUC is currently subject to certain statutory RPS requirements under HRS § 269-92. KIUC remains subject to these RPS requirements even if the IRP framework did not specifically state this. In any event, KIUC's proposed framework specifically states that the plan shall comport with state and county environmental, health and safety laws (such as the Renewable Portfolio Standards set forth in HRS § 269-92, as amended), formally adopted state and county plans, and other applicable administrative and regulatory requirements (see Section II.B.2 of KIUC's proposed framework).*

3) Does the proposed framework provide a reasonable process for defining a starting point for scenario planning?

*Yes. KIUC believes that its proposed framework provides a reasonable process for defining a starting point for scenario planning. The proposed framework specifically states that the utility's planning shall consider identified scenarios/uncertainties as defined in its framework and the range of plausible futures resulting from these scenarios/uncertainties in developing the utility's 5-year action plan. See Section II.B.9 of KIUC's proposed framework. It also provides that in the initial step of the process (the planning process), the utility shall clarify and develop the assumptions, risks, uncertainties and resulting scenarios to be analyzed as part of its planning. See Section III.A.1 of KIUC's proposed framework.*

*Having said this, however, KIUC believes that it is important to recognize that it is highly improbable that a single plan, no matter how robust and flexible, would be able to create a "no regrets" outcome for every possible scenario/uncertainty. Simply put, the goal of scenario planning is to analyze various potential uncertainties that may directly influence the utility's resource options – it is impossible to come up with a plan that will leave no regrets for each potential circumstance (see KIUC's definition of scenario below). Instead, KIUC believes that a utility must undertake an analysis as part of its planning of the range of plausible futures from each identified scenario/uncertainty, which necessarily includes an analysis of both the likelihood of occurrence and which plausible futures would or could have the greatest potential ramifications should they either occur or not occur. The goal of this is to allow the utility to develop an action plan that will place itself and its customers in a situation in which there will be the least amount of potential regrets for the various ranges of plausible futures under the circumstances.*

4) Does the proposed framework provide a reasonable process for discovering a plausible range of uncertainties and trends?

*Yes. See the response to Item 3 above. In addition, through the utility's own planning efforts, the advisory group process, public input provisions, as well as the docketed review process once the plan is submitted to the Commission, the framework provides a reasonable process for the development and analysis of a plausible range of uncertainties or trends (i.e., scenarios) and how they should impact the utility's planning efforts.*

5) Does the proposed framework differentiate between uncertainties and predetermined trends?

*Yes. See the responses provided above. Predetermined trends such as sales forecasts, near-term economic conditions, and fuel forecasts are developed to establish the basic assumptions in the planning process. The development of such assumptions often includes an accommodation for risk, as is the case when creating baseline, low, and high growth variations of a sales forecast. The risk considered in predetermined trends can be viewed as an "uncertainty" but is treated more as a forecasted variability.*

*The above is different than things like technology developments, which are items over which a utility has no reasonable control. This latter type of uncertainties form the basis for identifying scenarios, which KIUC has defined in its proposed framework as an event, factor, condition or circumstance for which the outcome: (1) is uncertain, (2) is beyond the reasonable control of the utility, (3) could have a significant impact on the utility's planning depending on the range of plausible futures, and (4) should as a result be specifically identified for consideration by the utility of the range of plausible futures as part of its planning and the development of its action plan. These scenarios/uncertainties assist the utility in shaping the selection, combination, and programming of resources to be implemented in its action plan. In KIUC's recent IRP prepared in December 2008, KIUC used a method which allowed it to identify various criteria by which multiple resources and plans were evaluated, scored, and ranked. An additional layer of analysis often includes a "probability analysis" which is an assessment of the probability that any one uncertainty would indeed occur.*

6) Does the proposed framework provide a reasonable process for identifying the drivers of uncertainty that make a difference?

*Yes. KIUC's proposed framework does not only set forth a process for identifying the drivers of uncertainty, but also provides the framework for establishing effective methods as to how these uncertainties, or scenarios, should be considered as part of utility planning. See the responses to Items 3, 4 and 5 above. By the very nature of selecting and weighing uncertainty criteria and analyzing its corresponding range of plausible futures, the ability of the uncertainty in question to impact the decision process is incorporated. For example, one scenario may address the uncertainty surrounding the extent to which grid-connected solar PV systems may be installed by Kauai's residents, in which KIUC would consider the effects of a range of plausible futures, such as if 40% of Kauai residents were to install grid-connected solar PV systems. If this volume of installations were anticipated to have a*

*material effect on system stability, it would be prudent to give significant weight or importance to this criteria and plausible future, such that the ultimate ranking of a certain plan relative to other plans would be impacted by the ability of the plan to address system stability and other issues associated with a large penetration of customer-installed solar systems. This would also assist in the utility analyzing what changes or modifications it should make to its developing action plan to place itself in the hopefully best situation to address the potential range of plausible futures regarding customer-installed grid-connected solar PV systems.*

*As it pertains to resource options, resource scenarios involving the uncertain future use and penetration of certain resources such as wind, solar, battery storage and electric vehicle charging can be directly modeled as adders to the basic resource mix in a plan. The proposed framework allows such resource scenarios to be included in some or each of the plans. The utility could even have plans specifically designed around the resources with scenarios incorporated in the plans' core.*

*The above provides examples of two different methods by which a particular scenario may be analyzed. However, the method to be used to include and/or evaluate a particular scenario and uncertainty and its range of plausible futures (whether through one of the above two methods or some other method) will be dependent on a case-by-case assessment of each scenario and subsequent determinations of the best way to analyze them.*

7) Does the proposed framework provide a reasonable process for defining a reasonable number of scenarios that define a plausible range of different futures for planning decisions?

*Yes. See the responses above, in particular Item 6 above. The proposed framework does not limit the number of scenarios and allows for scenarios to be incorporated in the planning process in many ways as discussed above.*

8) Does the proposed framework enable the Commission to make timely and informed decisions about the budget for the Public Benefits Fee Administrator?

*This is not applicable to KIUC. As discussed in KIUC's Final Statement of Position, unlike the Hawaiian Electric Companies, KIUC is not subject to the Public Benefits Fee administration of energy efficiency programs. See Decision and Order No. 23258, filed on February 13, 2007, in Docket No. 05-0069.*

9) Does the proposed framework provide a reasonable process for assessing actions and making decisions?

*Yes. The whole basis for plan development, modeling, probability analysis, criteria identification, and scoring and ranking resources and plans as set forth in the proposed framework are all geared towards allowing the utility to adequately assess and make informed and well-analyzed planning decisions. The above process, together with the advisory group process, public input and docketed review as part of the utility's requested approval as set forth in KIUC's proposed framework provides a reasonable process to allow*

*the utility to assess and make informed decisions regarding its action plan and for the Commission to review and issue a decision.*

10) Does the proposed framework provide a reasonable process for ongoing monitoring and adjustments to approved plans?

*Yes. The process set forth in KIUC's proposed framework for the ongoing monitoring and adjustments to approved plans is very similar to that set forth in the existing IRP framework with a few modifications. The proposed framework provides for an annual evaluation that assesses the continuing validity of the forecasts and assumptions upon which the IRP and action plan were fashioned, assesses all substantive differences between original estimates and actual experience, and provides annually a revised or updated action plan that drops the immediately preceding year from the schedule and includes a new year so that there is always a current 5-year action plan in place. See Section III.D.3 of the proposed framework.*

11) Does the proposed framework create an efficient, transparent process that involves all relevant decisionmaking entities?

*Yes, KIUC believes it does. The proposed framework places the decision-making responsibility squarely on the utility, which KIUC believes is appropriate and necessary because the utility has direct responsibility for meeting its obligation to provide adequate and reliable electric service. No other entity bears this responsibility.*

*In doing so, however, and as discussed in Item 1 above, the proposed framework requires that, in addition to considering the resources or mix of resources needed to meet the utility's near and long term consumer energy needs at the lowest reasonable cost, the utility must do so while ensuring that the plan, among other things, (1) comports with state and county environmental, health and safety laws (such as the Renewable Portfolio Standards set forth in HRS § 269-92, as amended), formally adopted state and county plans, and other applicable administrative and regulatory requirements; (2) sufficiently considers and analyzes any established energy policies and initiatives in effect at that time; (3) adequately considers the plan's impacts upon customers, the environment, culture, community lifestyles, the State's economy, and society and external costs and benefits; and (4) results from a discussion and analyses of various scenarios/uncertainties to come up with a 5-year action plan. The Commission's responsibility as the regulator of the utility, and the Consumer Advocate's responsibility as the entity statutorily obligated to represent consumers' interests, are to review the plan and determine if the utility's proposed plan is reasonable to meet these requirements and any other objectives that the Commission may establish, and whether the utility's proposed action plan is reasonable and in the public interest.*

12) Does the proposed timeline provide adequate time for the participants to address effectively each step of the framework?

*Yes, KIUC believes it does. Although the proposed framework does not specify an absolute timeline to complete the IRP docket, the intent is for the process to be completed as expeditiously as possible under the circumstances. For example, the proposed framework*

*(which is similar to the existing IRP framework) contains a requirement of the utility to file a plan within one (1) year of commencement of the docket, and, to the extent possible, the Commission is required to hear the utility's application for approval of the action plan within 6 months of the plan's filing and render its decision shortly thereafter. It also states that the parties shall cooperate in expediting commission hearings on the proposed plan. The utility is also required to file a timeline containing the various planning steps and schedule for completion of these steps.*

*KIUC does not believe that the framework should set forth a specific time or deadline by when a specific IRP docket should be completed. There are many factors that may impact the timetable needed for all involved parties to adequately review the utility's plan and for the Commission to render a decision on the action plan, including but not limited to the number of interveners or participants, the issues raised, the scope and extent of any disputed issues between the parties, the schedule negotiated by the parties, the length of any hearing, the amount of time needed for a transcript of the hearing to be issued in order for the parties to submit any required post-hearing briefs, and ultimately the time needed for the Commission to complete its review and deliberations and issue a decision.*

13) Does the proposed frequency of scenario-planning cycles allow the Commission to meet its related statutory responsibilities efficiently?

*Yes, KIUC believes that the proposed framework, which requires an IRP every three years with annual revised/updated 5-year action plans between full IRP cycles, would allow and would not interfere with the Commission's ability to meet any statutory responsibilities imposed upon it in an efficient manner.*

## CERTIFICATE OF SERVICE

I (we) hereby certify that the foregoing document was duly served on the following Parties and Participant, as set forth below:

| | |
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